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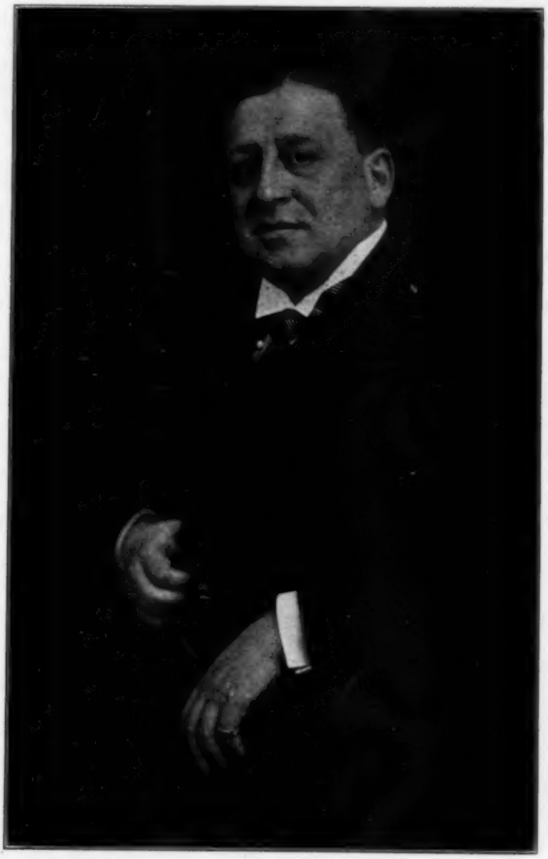


Edward Wassermann

Who tells on the following pages the story of "The Great Rise in Reading"

The Great Rise in Reading

By EDWARD WASSERMANN

of the Firm of Wassermann Bros.

Editors Note:

One of the most spectacular features of the bull market of 1904-5-6 was the enormous advance in Reading common.

During this period, when the stock shook off the incubus of its past record, and emerged into the list of dividend payers, Edward Wassermann was the man who executed the heavy work in the field and on the fighting line.

Mr. Morgan had financed the property through its sickness and convalescence until it stood on its own feet in a sound condition. Mr. Baer's management had made this possible; but The "Street's" verdict was that the "Wassermann Pool" was the "business end" of the rise. Columns of reading matter and numerous cartoons on the supposed members of the pool represented the newspaper idea.

Press and public were wrong. The advance was due to natural causes, intensified by the rampant bullishness of Mr. Wassermann, who tells below, for the first time, the real story of the great rise in Reading.

BACK in the nineties, when J. P. Morgan & Co. reorganized Reading, the stockholders were called upon to pay an assessment of 20%. Few people had faith in the property and for three years after the reorganization the stock gen erally ruled below the assessment price.

However, Mr. Morgan believed in the company's future and, after reorganization expenses were defrayed, the balance of the assessment money went toward the rehabilitation of the road and its equipment.

In 1900 commodities, with few exceptions, commenced to rise. One of these exceptions was coal. The coal trade—both anthracite and bituminous—had been in bad shape and was slow to recover. Reading common stock was then selling at just about the assessment price —20.

I was convinced that the price of coal must respond to improved general conditions, and started in to buy Reading. I had no following whatsoever; everybody looked upon it as a bankrupt property with an enormous debt and no future.

About that time I met the late H. W. Oliver, of Pittsburg, and succeeded in interesting him in Reading, buying for him and other friends, nearly 100,000 shares of the common.

Subsequently the Baltimore & Ohio and the Lake Shore roads invested largely in Reading, with the result that it advanced to about 80. My friends sold out at an average of 70.

Following this, the liquidation of 1903 took place, and Reading dropped back to about 38. In May of the following year I again succeeded in interesting my friends in Reading, and we commenced buying heavily at about 45. These purchases seemed to clean up the floating supply and the stock advanced steadily to the neighborhood of 60. A little later it was placed on a 3% basis.

Some months previous (in January, 1904) at the time Lake Shore sold an issue of 3½% refunding bonds, President Newman, in a letter to J. P. Morgan & Co., made a statement as to the amount of Reading common stock held in the Lake Shore treasury.

When the yearly report of the Lake Shore was made public, I noticed that these holdings had materially increased. I learned that this was also true of the Baltimore & Ohio holdings.

These purchases of course reduced the floating supply to such an extent that the stock from then on easily advanced.

When Reading reached 100 my friends commenced taking profits, but their offerings were so readily absorbed that they rebought, paying up to 110 for what they had parted with.

From that time every one familiar with

Wall Street knows how rapidly Reading rose to 125. At this figure our friends sold out their entire holdings.

The public then took hold of the stock and carried its price to above 164 on all kinds of rumors and mysterious deals that were to take place. The price of 150, under the circumstances, seemed ridiculous to me, and our office became bare of Reading stock.

To-day, however, I consider that figure none too high, and believe that Reading common will ultimately sell higher than it ever sold.

The Reading Company is the world's greatest owner of coal lands. These coal lands alone are worth more than the company's entire capital stock. Within a few years Reading should sell higher than Delaware & Hudson or Jersey Central are now quoted at. In time it should sell as high as Delaware, Lackawanna & Western.

Those who doubt this should read the following facts and figures from the London *Statist:*

"For the past 30 years there has been an idea abroad that what is now known as the Reading Company would ultimately attain great prosperity. Apparently, the expected great prosperity of the Reading Company has arrived and will be permanent, but it has resulted from causes other than those which were expected to bring fortune to the company. In former periods the profits of the undertaking have been large from time to time, but the periods of prosperity have been ephemeral, having arisen mainly from temporary high prices for coal. The existing prosperity of the company has arisen from quite other causes, and these causes are likely to be permanent. Its ownership of a large amount of coal lands and its control of a vast anthracite coal tonnage have doubtless had some effect in bringing about its present prosperity, but the real reasons for the great expansion in its earnings and profits have been, first, its endeavor to extend its bituminous coal and merchandise traffic, which largely comes to it from connecting lines, and is not controlled in the same manner as its anthracite traffic. Secondly, from the understanding between the trunk lines and the coal roads, by which freight rates, both coal and merchandise are maintained; and, thirdly, from its control since its reconstruction by conservative and able administrators. It should be distinctly understood, however, that its much larger earnings and profits of the past year, in comparison with what they were some years ago, were not in any way the result of higher freight rates. To demonstrate that the improvement in the position of the company has been principally brought about by the development of its bituminous coal and merchandise traffic, traffic which until a few years ago was neglected, we present beneath its freight tonnage for each year since 1897."

READINGS FREIGHT TONNAGE.

Year ended June 30	Anthracite Tons Coal	Bituminous Coal Tons	Merchandise Tons.	Total Tons
1907	13,223,000	11,190,000	24,414,000	48,827,000
1906	11,856,000	10,487,000	22,353,000	44,696,000
1905	12,029,000	9,184,000	18,695,000	39,908,000
1904	11,325,000	8,059,000	16,633,000	36,017,000
1903	7,933,000*	8,437,000	18,228,000	34,598,000
1902	9,466,000*	6,087,000	16,414,000	31,967,000
1901	10,524,000*	5,018,000	14,535,000	30,077,000
1900	10,672,000	4,540,000	14,102,000	29,414,000
1899	9,533,000	4,202,000	11,386,000	25,121,000
1898	9,465,000	3,517,000	9,863,000	22,845,000
1897	9,230,000	2,433,000	8,324,000	19,987,000
Increase 10 years	43%	361%	193%	144%

Strikes.*

In spite of all that has been printed and alleged, there never was a pool in Reading. Our operations represented the execution of orders given by individuals who were in no way co-operating with each other. Any of them were at liberty to sell, or add to their holdings as they saw fit.

It is therefore obvious that Reading never rose on pool manipulation. The activity of the stock in the market, and its steady rise, gave it a prestige with the speculative public, such as has seldom been enjoyed bv another security dealt in on the New York Stock Exchange.

Beneath all this, however, lay the foundation stone of Reading—its backing and management. T. J. Pierpont Morgan, the master-financier, and to George F. Baer, one of America's greatest railroad presidents, belongs the credit for the phenomenal prosperity of the Reading Company.

EDWARD WASSERMANN.

Why Stocks Decline When Rights are Issued

An almost invariable rule which may be turned to good account.

WHY is it that the price of a stock generally declines, from the time of its announcement that the company is about to issue rights, until, on the day when the rights expire, the stock reaches its lowest point?

The reason for this is simple. It is safe to say that in the majority of instances the original holders of securities sell their rights for what they can get. These rights are bought up by a pool of insiders, or by parties who arbitrage; viz., buy rights and sell the stock against them simultaneously.

Let us suppose a company with a capital stock of $100,000,000 decides to offer the stockholders the right to subscribe to $10,000,000 worth of new stock at par. This means that the present stockholders will probably subscribe to 25,000 shares and that the market must absorb 75,000 shares more.

During the interval between the day trading in the rights is inaugurated and the day the rights expire, great pressure is brought to bear on the market price of the stock; this 75,000 shares is mostly disposed of during that time, and the liquidation abnormally depresses the market price.

It is, doubtless, often noted how such stocks rally after such pressure is over. Many people make a great deal of money every year by selling a stock short immediately upon the announcement of "rights," and, just as it is a fairly safe operation to sell either stock or rights short in their inception, it is wise either to buy the rights or the stock on the day of expiration. Some long-headed investors reduce the cost of their holdings in this way.

To summarize, therefore, the decline in a stock, at such a time, is a perfectly natural result from an increase in the supply, without a corresponding increase in the demand, and the market price of the stock simply reflects the consequent adjustment.

You may be dealing even now with irresponsible concerns—with swindlers disguised, or with bucket shops. Many people never learn to distinguish these until they try to withdraw their money.

Convertible Bonds

An Attractive Form of Investment, Combining in Most Instances Safety, a Good Yield and Great Profit-Making Possibilities.

By "THE BOND MAN"

A CONVERTIBLE bond has been aptly termed—"An investment with both a balloon and life-preserver attachment." He who originated this designation meant to convey the idea that this class of bonds generally embodies the very desirable features of a sound investment and a promising speculation.

We have to go way back beyond the time of Jay Gould for the origin of this class of security, but it is doubtful if convertible bonds have ever been so important a factor in the market as they were during the Erie Convertible Bond deal, engineered by that "wizard of finance."

Companies who have put out recent issues of convertible bonds have been actuated by various motives; some were unable to sell mortgage bonds on a satisfactory basis; others aimed at the subsequent reduction of the fixed charge entailed. Without regard to the prime object, however, they have proved a mighty good thing for the investing public.

Very large profits were made by those who bought the old Union Pacific Convertible 4's as an investment. In some cases profits of 40 and 50 per cent. were realized by holders who bought them cheap and sold out during the boom in Union Pacific stock.

The "balloon attachment" lies in the fact that when these bonds are convertible into stocks (which is the general rule) they respond instantly to any upward move in the latter.

On the other hand, when the stock declines materially below par, the bonds, being (usually) secured by a mortgage, and invariably having precedence over all common and preferred stock, do not suffer such marked declines.

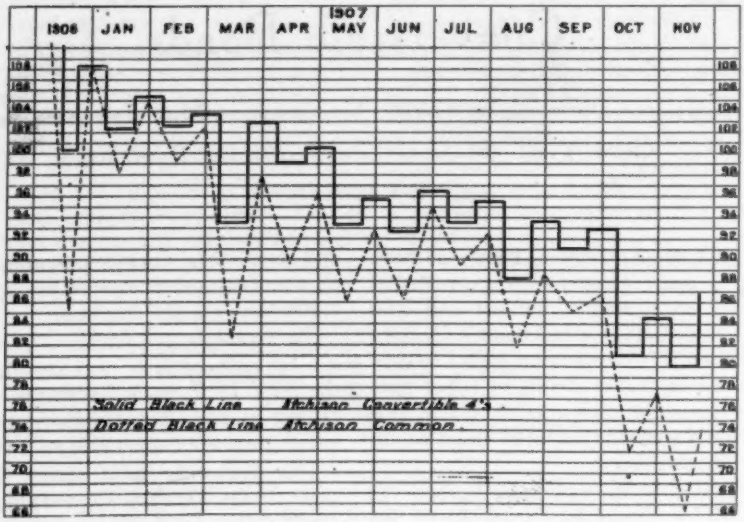
For example, the Atchison Convertible 4's—a very popular security—listed on the New York Stock Exchange, are now selling at 86. The common stock into which they are convertible sells at 74.

The following table shows how the price of the Atchison Convertible 4's has responded to the movements in the stock:

	Bonds.		Stock.	
	High	Low	High	Low
Year 1906...	110¼	100¼	110½	85⅜
Jan., 1907...	108¼	102¼	108¼	98⅜
Feb.	105⅜	102⅝	105	99⅛
March	103⅞	93½	102½	82⅝
April	103	99	98	89⅝
May	100½	93¼	96⅜	86
June	95¾	92¾	92⅞	86¼
July	96½	93½	95	89½
August	95½	88¼	92½	81¾
September ...	93⅝	91	88⅝	85⅛
October	93	81	86¾	72

By this it will be seen how accurately the bonds respond to any upward move in the stock, and how much less the bonds decline when the stock breaks below par.

Atchison preferred is considered a high class investment stock by many people. So closely is it held for investment that we doubt if any one desiring to sell it short could borrow 500 shares in the "Street." Yet these convertible bonds come ahead of the $114,000,000 of preferred stock paying 5 per cent. and $103,000,000 common stock, paying 6 per cent. There is scarcely any one who would hesitate to buy or recommend them as an investment.



When it is remembered that in addition to all these advantages the buyer has the option of converting them into common stock, the strong points of this and other convertible bonds will be realized. The first issue of these bonds is convertible into the common stock at par at any time prior to June 1st, 1918. The company has the right to redeem these bonds at 110 on any interest day, but in case they are called for this purpose, holders may convert the bonds into stock, provided the time for conversion has not expired. No new mortgage on lines owned Jan. 1st, 1905, shall be made without securing the convertible bonds thereunder.

This bond, therefore, practically gives the holder a "call" on 100 shares of Atchison common at whatever price he pays for the bonds, for a period of 10 years. When one compares the price of Atchison common 10 years ago, with to-day's price, he will realize what immense possibilities there are in this issue. These are the quotations:

	High	Low	Dividend.
1897	17	9⅛	0
1907	108¼	66⅛	6
1917	?	?	?

Many clever traders make money in trading against these convertible bonds, by going short of the stock and simultaneously buying the bonds when selling at a parity. Suppose, for example, a trader having bought 10 M bonds at 110, sold short at the same price 100 shares of the stock. When the stock declined, as it did in October last, to 72, the bonds did not go below 81. At these figures he could have covered his short stock and sold out his bonds at a gross profit of 9 points. HE WOULD NOT HAVE BEEN IN A DANGEROUS POSITION AT ANY TIME DURING THIS PERIOD, for even if the stock had advanced to 130, the bonds would have followed closely and no loss need have been sustained. If Atchison had been cornered and sold at 500, the bonds would likewise have sold at 500.

Another position could have been taken by the party who made the above trade. Instead of selling out his convertible bonds at 81, which was unquestionably cheap for them, he could simply have covered his stock, and patiently waited until such time as the bonds sell at 110 again. At this figure he can then resell the stock, realizing a profit of 38 points, less his loss on account of the low rate of interest obtained on the bonds.

This operation may be repeated in a variety of ways just as one would trade

against a privilege. The best action can doubtless be had while the stock ranges between 90 and 105.

We have seen some very handsome profits realized on transactions of this character with no possibility of great loss being involved. The only risk in such a deal would be as follows: those who buy the bonds outright at 110 would have a slight loss of interest on account of the comparatively low return. Those who went into the deal on a marginal basis would risk the difference between the yield of the bonds (less than 4 per cent.) and the rate charged by his broker for carrying them.

Some may say "there is also a loss for dividends which any one who is short has to pay." In reply to this we would say, when a stock sells ex-dividend the equivalent of the dividend is immediately taken from the market price. Hence this risk would only exist if the stock were to remain stationary throughout the period required for the deal. By remaining stationary we mean it would have to be devoid of fluctuations except for the recovery of the amount deducted from its market price on account of the dividend. This is hardly a possibility.

To return to the strictly investment aspect of convertible bonds, the best evidence as to their desirability is found in the heavy purchases made by the most conservative class of investors, as well as institutions, trustees and savings banks.

All convertible bond issues are, of course, not legal investments for such purchasers, but in some cases they are, and these opportunities are seized upon by the shrewdest class of bond-buyers. Altogether, convertible bonds are a sort of security which no intelligent investor can afford to overlook.

All N. Y. Stock Exchange houses and their correspondents, as well as all bond houses, handle convertible bonds. A list of some of the most recent circulars on various issues will be found in our literature column on another page.

Some years ago, there was a meeting at the Grand Central Depot. We were employed by the Kiernan News Agency at the time, and were sent up to find out what had been done. The board had adjourned. The only gentleman left in the office was the late William H. Vanderbilt—a party who, under ordinary circumstances was most difficult to reach. We mustered up courage, and asked him if he would tell us what had transpired at the conference. Holding up his left hand, he said, as he pointed to the index finger, "When one man knows a thing, it is one; when two, it is 11; when three, it is 111," and then, pausing for a moment on his little finger, he said, "and when four, 1,111. There were twenty-eight men here to-day, and doubtless, by this time, Wall Street, and all the world, know what we did."—*J. Arthur Joseph.*

Traders Who Stay

By L. L. CHINN

of Ball & Whicher.

THE experienced Wall Street broker is at no loss to understand why so many of the old faces disappear from about the tape as the months roll by, their places being taken by new people who come down here dollar chasing.

Every year sees many traders come and go, and the question is often asked—What class of traders stay?

It is obvious that the stayers must either make money or have some outside source of income. Capital is the speculator's breath of life. He cannot engage in market operations on promises to pay, nor as a result of his financial standing. In other lines of business he gives his orders first and pays for the goods in from thirty days to six months. When he comes into the "Street" he must deposit the cash first, and give his orders afterwards.

L. L. Chinn

If his capital shrinks he must put up more. If he does not put up, he must quit. So in order to stay he must either have money, get money, or make money.

My experience shows that there is only one general class which really stays. This is composed of those who consider Wall Street as a strictly business proposition. They have waded through the hazy ideas which enveloped their first ventures, and have eliminated many of the fallacies coincident to their initial campaigns. They have learned to exercise patience; have overcome their tendency to operate on light margins; they avoid operating on "Street" tips.

The composite successful speculator never straddles the market; this only results in his becoming a sort of three in one—Bull, Bear and Jackass.

Another strong point of the experienced trader who really makes money in the market, lies in his consistent playing of a bull market on the long side; likewise in a bear market he will be found among the shorts. He will never average when a trade goes against him, but will pyramid on a trade going his way, protecting himself cautiously by the use of stop orders.

The traders coming under my observation, who have lost the most money, have been those who announced the fact that they never would take a loss.

It is the members of this latter class who are usually obliged to accept killing losses and who, when they do find themselves on the right side, have so little patience that they take very small profits.

The Execution of Orders

A Clear Explanation of Some Important Points.

By ROLLO TAPE.

ONE of my correspondents writes, "I have been put to considerable loss, delay and annoyance on account of slow executions of my orders. My broker is a member of the exchange, and his office is connected with the exchange floor by private telephone. I trade from the customer's office, handing my orders in at the order window, yet I often have to wait 10 or 15 minutes for a report on a market order. On limited orders I seldom get a report until a sale has been made at a better price than mine. That is, supposing I have 100 Steel to buy at 23. It may sell at that price a dozen or twenty times but I never get a report until it comes 22⅞ on the ticker. If I ask why this is, I am told there are "orders ahead" of mine. Even when I ask for a quotation it takes from 10 minutes to half an hour. Can you explain these apparently unnecessary delays? I am tired of kicking to my broker."

We would suggest that you change your broker, as it does not seem from your statement of the case that you are getting a square deal. The execution of a market order, when given from an office connected by private telephone with the exchange floor, should not occupy more than 2 or 3 minutes, except in very excited markets. Houses which give the best service in this respect, pride themselves on "2 minute executions," and often boast of the fact that even their out-of-town branch offices or correspondents in Boston, Philadelphia, Chicago, and even more distant cities, are able to report the execution of market orders to their clients within the two-minute limit.

Brokers with London connections necessitating the transmission of orders by cable, are able to furnish a report on an execution within 3 or 4 minutes. We know of one house, without specially good facilities, who executed an order from London in 6 minutes, including the transmission from the office to the cable terminal in London by telephone (thus requiring two extra handlings).

We should say that your broker is utterly negligent or thoroughly dishonest; also that he is "trading on his orders."

This means, if you gave him an order to buy 100 New York Central at the market, he would go into the Central "crowd" and buy 100 shares the minute he got there. Suppose he pays 100 for it. He will not report to you, but will stand there in the crowd, and if, in 5 or 10 minutes, New York Central runs up to say, 100½, he will sell the 100 he bought at that figure, and pocket the half point himself.

He will then buy 100 for you at whatever the market price happens to be. In case, however, New York Central declines after he has first made the purchase at par, you will receive a report of 100 shares bought at that figure.

To speak plainly, he is playing the surest thing we know of—a little game called, "Heads I win, tails you lose." He cannot possibly lose even ⅛ by this meth-

od, but his customers lose thousands of dollars. His method is a thoroughly dishonest one from any point of view.

Regarding delay on quotations, this is doubtless due to the neglect of his telephone clerk on the floor of the exchange. It is the business of these clerks to see that quotations are secured promptly.

Limited Orders.

As to the execution of limited orders, this is a question which calls for more discussion. If Steel common is selling at 23½ and you place an order to buy 100 at 23, your broker cannot stand in the crowd and wait for the market to decline to this figure. Nor can he, with dozens of orders of the same character to watch, keep one eye on the ticker and the other on his order book. It would be very risky for him to attempt to watch all his orders and, when the opportunity offered, to execute a certain order at the desired price. He must, therefore, so far as his limited orders are concerned, rely to a considerable extent upon the Specialists.

Specialists are those who stand in one crowd all day and execute nothing but orders in one or two stocks. A Specialist in the Steel stocks, therefore, could not execute any orders except those in Steel common or preferred.

Your broker, when he receives an order to buy 100 Steel at 23, sees that the order is ½ point away from the market price, and immediately hands it over to a specialist in the Steel crowd.

The Specialist has a book containing his orders to buy and sell at each price and fraction. He turns to the page headed "23" and puts down the name of your broker who gave him the order, with the figure 100 against his name, indicating that there is 100 Steel to buy at 23 for his account.

Before this order reaches him, the Specialist may have orders for any amount, from 100 shares to 100,000 shares, entered on his book above your entry. Hence, if the price for Steel declines to 23 he is obliged to fill at that price the orders which reached him first. Even if you do see strings and strings of Steel common coming out on the tape, at 23, there is no evidence to prove that you are not getting a square deal.

The Specialist's Risk and Compensation.

For his services in thus watching and executing an order for 100 shares, the Specialist receives a commission of $2. Considerable risk to him is also involved, as his acceptance of the order makes him responsible for its execution in case there is a sale ⅛ below that figure, or if there is evidence to prove that the order should have been executed when the stock touched that price.

The physical and nervous strain on a Specialist, or, in fact, any broker, is tremendous where his orders are large and varied and stocks extremely active. Each transaction, large or small, must be recorded, with the number of shares, price, and broker's name. It must also be reported within a reasonable time to the brokerage house where the order originated. We have seen Specialists, utterly swamped with business, so bewildered that they were obliged to leave the floor and go to their offices to get their trades straightened out.

Let us suppose that a Specialist has large orders to buy Steel at 23, and that he has filled a portion of them. At a moment when he is off his guard some one offers Steel at 23, and then at 22⅞, sales being effected at the latter figure. He jumps in and buys all he can, to fill his 23 orders, at ⅛ below his limit, then bids 23 for the balance, but is unable to secure it all. Supposing, at that particular juncture, the market strengthens and Steel goes to 23⅛ or ¼. The fact that sales have been made at 22⅞ has brought down on him demands from every one of the houses for which he had orders to buy at 23. They insist upon his giving them a report and even though the price of Steel now stands at 23¼, he is obliged to "put it in" to them at 23 and stand the ¼% loss himself on the number of shares he failed to buy at the figure. All this he risks for a commission of $2 per 100 shares.

Other Risks.

There is also another risk which he runs in accepting an order. Sometimes these are given verbally; they are canceled or changed verbally, and in other ways there are possiblities of mistakes being made on his part or on the part

of the broker giving him the order. In the excitement of an active market these mistakes may be very costly. We often hear of brokers mistaking an order to buy, for an order to sell, and cases are frequent where the loss runs well into five figures.

All this, to our mind, goes to show that a Specialist should be allowed a certain latitude in the execution and reporting of orders. It is safe to say that without the Specialist the enormous transactions of present-day stock markets could not be handled except by largely increasing the membership of the various exchanges. Without the Specialist very few brokers would care to accept any other than market orders.

From this you will see that there are certain allowances to be made in the case of limited orders, and we should not be too ready to condemn a broker because he does not give you an instantaneous report when the first transaction at your price is recorded on the tape.

It is the custom in all brokerage offices when reports on limited orders are slow, for the trader to "Damn the Specialist." We are not so sure that the Specialist ought to be damned.

The above is simply our view of the matter. We shall be glad to have any of our readers present theirs on the same subject.

The Theory of Financial Statistics.

By ROGER W. BABSON.

IS it possible for one to actually and surely make money by the use of Financial Statistics? Are Financial Statistics of actual value to a Stock Exchange house, a Bond Dealer or an Investor, or are they a luxury? When one hears that a Bond House, which is supposed to have an elaborate Statistical Department has become "loaded" with unmarketable securities, one wonders whether such Statistical Departments are of any practical value or whether they are simply maintained for advertising or other sentimental reasons. The same question arises when one hears that all the customers of some Stock Exchange House, which has been issuing elaborate booklets and charts, are on the wrong side of the market.

To conclude the matter you say that if such statistics are of actual value in making money or in enabling customers to be on the right side of the market, you will gladly pay for any service supplying such material; but, if not, you do not wish to have any more "Financial Statistics" about your office or home. In other words, if you can purchase data the use of which will show you a profit, you will not only pay for the same but you are anxious to have it. Unless, however, you are absolutely sure that such an investment will show you a profit, you do not wish to add to your present expense. As this position is now assumed by the brightest brokers, bond dealers and investors, we herewith submit a brief on the subject:

THE TWO CLASSES OF STATISTICS.

Financial Statistics are divided into two classes; namely, COMPARATIVE

STATISTICS and FUNDAMENTAL STATISTICS. We give below a very short description of these two classes:

1. COMPARATIVE STATISTICS.

This class relates to the Bonded Debt, the Earnings and the General, Physical and Financial Conditions of properties. Such statistics are very necessary for comparing securities of different companies and the different securities of the same company. If such data is always absolutely up-to-date such Comparative Statistics are very valuable for enabling one to select the best of several securities and to watch any securities either for the purpose of buying or selling. As most of the largest and most successful Stock Exchange Firms and Bond Houses are already well supplied with such Comparative Statistics and, so far as they are useful, are obtaining excellent results, we will not here enter into details concerning this class.

We wish it clearly understood, however, that such statistics are absolutely valueless for determining the course of the entire or general market. Comparative Statistics determine only investment values enabling one to select a safe stock or bond, or to select the better of two or more stocks or bonds. With the general market conditions remaining fixed, Comparative Statistics may be used for forecasting the rise or decline of a given stock; but the general market so seldom remains fixed that such a use cannot be depended upon. It is this fact that has brought Comparative Statistics into ill-repute.

The market value of a stock may continually decline, as the actual value of the stock increases, or vice versa. A Stock Exchange Firm, a Bond House or an Investor basing either purchases or sales (with the idea of selling at profit) upon earnings, physical condition or other Comparative Statistics, may lose money. Note that we say "with the idea of selling at a profit," for such statistics may be used for selecting a safe investment which one desires to hold permanently or for a "long pull;" but they are absolutely valueless for "short turns."

It is because this fact is not being recognized by many firms who are content with accumulating only such statistics, that, even with their elaborate Statistical Departments, they are so often on the losing side.

2. FUNDAMENTAL STATISTICS.

These relate to underlying conditions of the country and come under what is known as Class 2. Fundamental Statistics, although now used by only a few of the best Banking and Mercantile Houses, are by far the most necessary and profitable. All financial history consists of distinct cycles, averaging from fifteen to twenty years in duration, and each cycle has consisted of four distinct periods, namely:

1. A Period of Prosperity.
2. A Transitory Period from Prosperity to Depression.
3. A Period of Depression.
4. A Transitory Period from Depression to Prosperity.

Moreover, the laws of nature, commerce and industry make it absolutely necessary that these cycles continue to come and that each cycle must always consist of these four distinct periods. The idea that prosperity can ever remain permanent and will not be followed by a business depression, or the idea that a depression will be permanent and will not be followed by general activity and high market prices, shows both ignorance of economics and utter inexperience of financial affairs.

There are twenty-five subjects relative to which statisticians and investors systematically collect, analyze and index statistics. These are the subjects studied by the oldest, most conservative and richest Financial and Mercantile Houses of the world for determining which of the above mentioned periods which *at any given time* the country is experiencing, or is about to enter.

A Statistician need make no predictions whatever, but perform simply the mechanical work of collecting and distributing the material which their customers use, for determining whether the general tendency of the market is upward or downward and whether said customers should buy or sell.

As above stated, these Fundamental Statistics are even more important than

Comparative Statistics, as the latter are of little value unless supplemented by those Fundamental in character. In addition, the experience has universally been that such firms and individuals as confine their operations to standard stocks and bonds, have made fortunes for themselves and their customers simply by a study of these Fundamental Statistics.

CONCLUSION.

The amount of money which can be made by the study of such statistics is limited only to the original capital invested and the number of years the service is continued. Comparative Statistics are used for selecting securities which are absolutely safe and which have the greatest prospect of increase in market value under fixed conditions. Fundamental Statistics are employed for determining these general market conditions, and as to whether or not it is wise to purchase or to sell said securities.

Investors following this data purchase securities only when they are low, holding them for from four to six years until they are high and then selling and depositing in a bank the proceeds received therefrom. After said sale they leave the money on deposit for from four to six years until the same securities again sell low, when they again purchase them or other securities of the highest grade.

In many cases, such investors triple their money about every five years, without the slightest risk and with little trouble. By following such a method, an individual may, *with absolute safety and without any margin-purchases,* through only outright purchases of the highest-grade dividend-paying stocks, turn an investment of $5,000 into $100,000 in about twenty years or an investment of $35,000 into $1,000,000 in about thirty years.

If such a person is not strictly an investor, but is willing under a broker's guidance to also take advantage of the intermediate movements, which come possibly once or twice a year, much more wonderful results may be obtained.

Many brokers urge customers to go a step further and recommend "Short-selling" in periods of great activity and prosperity and also the purchase of securities on margin during periods of depression. It is natural for brokers to recommend this to their customers, but with any short-selling or margin purchases, there is connected a certain element of risk, and the investor then becomes a speculator. Moreover, the point which we desire to emphasize is: *that an investment of a few thousand dollars can be multiplied to an investment of several hundred thousand dollars in about twenty years with absolutely no risk whatsoever or without short-selling or margin purchases whatsoever.*

The only requisite is a constant study of Comparative and Fundamental Statistics and self-control to act in accordance with what these statistics clearly indicate, refusing to listen to the optimism or pessimism supplied by the daily papers and by the many individuals who are willing to give you free advice.

The above principles apply to bonds as truly as to stocks, and should be studied by investors who purchase only bonds, as well as by those who buy stocks.

Although bonds do not fluctuate so widely as stocks (and for this reason do not apparently present so great an opportunity for profit) yet their minimum interest yield is absolutely fixed. This is not true even of the most conservative stocks.

We especially recommend bonds to persons dependent upon the income received from their investments, and we are inclined to recommend that all persons should have a portion of their principal either on deposit in a bank or invested in high grade bonds.

This is advisable owing, among other reasons, to the fact that if it becomes necessary to sell securities in order to obtain cash during a period of depression, a person may sell bonds with less loss than stocks. However, those who follow the theory herein emphasized should have their principal at such times wholly in cash instead of in either stocks or bonds.

Some Pertinent Points on Investments

By E. V. D.

of P. W. Brooks & Co.

COMPETENT and judicial students of current financial history are agreed that this country's well-known financial happenings since the eventful 22nd of last October, are but the logical sequel of many financial "fads and fancies"—not to speak stronger—which have been cumulating—yet very naturally—during its past decade of unprecedented economic development.

As to investment matters more particularly, it may be said that the omnipresent optimism ever characteristic of such eras of buoyant growth and prosperity has tended often to make "the worse appear the better reason," and old-fashioned conservatism to retire modestly behind the veil of "modern financial methods" with their ability to make two shares of stock appear where there was one before. A result has been an evident infusion of a considerable part of investors with the prevalent speculative spirit and an apparently frequent oversight of certain obviously elementary rules of sound investment.

Ever and anon investment hobbies have appeared and been heralded as the latest and proper thing in investment fashions. Stocks, of course, have been the leaders of style in a speculative era, notwithstanding it is generally recognized that in a large number of cases, corporate shares represent no actual investment and are backed by no realizable assets; the sole value of the share—aside from its use for corporate control, and notwithstanding its purport to represent property—being as a kind of ticket that entitles the holder to share in possible dividend distributions, which, in some cases and especially in recent months, have seemed most attractive to the superficial observer.

It should not be forgotten, however, that dividends are wholly contingent on surplus earnings, and, even when these exist, are entirely dependent on the directors' discretion; neither should it be overlooked that every fractional decline in market price, below the purchase figure, must be deducted from the nominal interest rate; for, it should be noted, a stock share, unlike a bond, is without a maturity, representing no fixed sum which must ultimately be repaid to the holder, and hence has no fixed value apart from its market quotation, commonly determined, as it concededly is, more by pure market factors than by the genuine investment consideration as to whether or not the share represents an actual asset. Of course, every person must decide at the outset as to whether he wishes to be a speculator or an investor; the two rôles do not harmonize. The prime function of investment is to *save* money which represents the surplus fruits of past labor, or so-called "business" whose end is, in popular parlance, to "make money"; hence any "profits" or income which may accrue above the normal return for the use of invested money is a merely incidental and fortuitous circumstance, and not the direct purpose of strict investment. Of course, and "'twas ever thus," the average investor flatters himself that he will buy his stock to-day, skim the dividend cream, and then deftly unload it on the "other fellow" just before it falls. So say they all of them, and who is the one who gets "caught with the goods?" It is unnecessary to refer to recent striking illustrations of stock declines of fifty to sixty points in a couple of days. Every one of experience knows that just when one is anxious to sell is the time it can be done only at a sacrifice.

Again, it is a bit strange, that so many investors so often overlook the fact that the average stock at a price to net seven, eight or nine per cent is *not* on a par with a First Mortgage bond to net from five

to six per cent; in other words, when the inherent nature of the two kinds of securities is taken into comparison, stocks in general should sell to yield 12-15 or 18% or perhaps even higher, depending entirely upon the peculiar element of risk involved in the particular investment concerned.

Closely related to the idea of corporate shares considered from the investment standpoint, is that of the recently fashionable Convertible Bond, commonly secured by collateral in trust rather than by a mortgage lien on tangible property, as an attempt to combine in one, the two incongruous features of investment and speculation. The recent career of these issues is briefly and sufficiently indicated by noting for a dozen issues collected at random an average decline of around 20 points, present prices in another eight cases, averaging about 16 points decline below the conversion figure.

Another recent investment fad of winsome mien, because of its apparently high interest rate—no higher, however, to judge from later events, than was warranted by the risk involved—has been the Short Term Note, also uniformly secured by a conglomeration of collateral held in trust. Numbers of these issues, brought out on around a six per cent. basis, or perhaps a little better, have now fallen to sell on practically double that basis. The strange feature of this fad was that presumably sane investors often did not seem to take their cue from this very action of the corporations in the issue of only short obligations at the then unusually high rates—evidently considering that this rate was comparatively temporary—and take advantage of the opportunity to purchase long term obligations on the prevalent attractive bases. As to just what will be the outcome, when great volumes of this indebtedness begin to mature in close sequence, and possibly at a time of protracted economic dulness, remains to be seen. It may be a bit questionable whether many of these corporations will then find themselves in a position to then pay off this indebtedness, or whether it will be bonded into longer term, lower rate issues. It is hardly probable that under conditions at all similar to the present that these corporations will feel inclined to extend and continue the burden of these high interest charges.

That general business is slowing down, or shows indications of such a course in the near future, is now recognized, and as both desirable and unavoidable: as to how long such a condition will continue is of course an uncertainty; though if history repeats itself, the general commercial and industrial activity of recent years may not be again repeated in the immediate future. A rampant speculative fever has been at least temporarily checked, and succeeded by an ultra-conservative caution or "lack of confidence" which has already manifested itself in terms of "panic," hoarding, and the maintenance of large bank reserves. The tightness of money due to over-expansion of credit in both business and speculative ventures has been aggravated by fear, individual and institutional. Investigations and exposures—intrinsically wholesome in the long run, but exaggerated and often falsely embellished in spirit, if not in letter, by an unrestricted sensational press—have increased popular distrust of corporate affairs in general, and inspired in some cases the usual reaction of hostile legislation.

In view of these and related events, and the future effects on corporate business especially, as also the fact that after so general a fall in security prices many apparent "bargains" are clamoring for notice, it is pertinent that particular attention be given to the fundamental rule of *security* for invested *principal*.

To start with this maxim and the proposition that in the majority of cases and in the long run investment is both more profitable and desirable than speculation, one is confronted with the fact that both theoretically and practically *bonds* rather than stocks are par excellence the standard of investment. Whichever way a sensible investor looks at his problem, it is difficult to see how he can escape the logic which brings him face to face with bonds as *the* desirable type of investment. Is he a pessimist who thinks this country is going to the dogs? In such an event, if the First Mortgage bondholder scarcely be saved, where shall the noteholder and stockholder appear? Is he an optimist? Let him not forget

that the difference between stockholder and bondholder is the difference between debtor and creditor. In brief, the contention is that as little drops of water and grains of sand do the wonders related in the nursery rhyme, so the steady income from bond interest—with the incidental advantage now to be derived from the possible purchase of many first-class bonds under par—will count for more and be more satisfactory in the long run to an investor, than will disregard of the old rule that safety and high returns, whether as profits or interest, are in inverse ratio and the assumption of an undue risk for the sake of a seeming but often delusive and temporary extra profit of two or three per cent.

While bond prices have generally declined to a limited extent during the past year or more, for several recognized reasons, the investor who bought his security on a satisfactory basis yet receives his certain income therefrom in all cases where the bond was well-chosen, may feel that his principal is sure of ultimate repayment, whatever the passing movements of temporary market quotations.

A considerable explanation of the past in the frequently illogical attitude of would-be investors who sacrificed 75% or 80% of the security of their principal for 2 or 3% of extra and uncertain income, probably lies in their comparatively narrow view of the field of investment securities. For approximately three-fourths of a century past, steam railroad issues have been the chief and to the mass of investors practically the only familiar type of corporate security investment. In the last score or more of years, however, there have come into active existence throughout the country, hundreds or perhaps thousands of *relatively* smaller corporate enterprises of which the average investor is more or less ignorant, such as the modern electric enterprises to supply the fundamental necessities of light, power or transportation in and among the relatively smaller centers of population.

For the most part, it is the *bonds* of these enterprises which are offered for public investment, and these generally secured by First Liens on tangible assets. These issues, however, save in the case of a few large corporations or consolidations which operate in metropolitan districts, and which should be emphatically distinguished from the majority of these propositions as not characteristic of the type, are relatively small as compared with the fifty and hundred million, or more, issues of large "trusts" and steam railroad systems, being generally between one to five million dollars. Furthermore, the nominally First Mortgage bonds of this character are uniformly first in fact, while it is estimated that around 95% in number and 65% in value of steam railroad "Firsts" are first liens in name only.[1] That is, the vicissitudes naturally attending the long and pioneer development of steam roads, aggravated by the country's checkered financial history during the same period, have resulted in failures, reorganizations, combinations and consolidations which have given rise to more than fifty elementary types of railroad bonds; while the financial organization of the above companies is comparatively simple, and the types of their securities few in number.

Accordingly, it is possible in the case of these relatively small and simply organized companies to arrive more nearly at an approximately correct notion of their true value, and the measure of tangible security for an existing lien, than in the case of the immense corporations, industrial or transportation, the problem of whose commercial valuation is now bothering many State and government officials.

Security, and, for that matter, profit also, is not a matter of bigness but of underlying value and merit. Both points can be briefly illustrated by reference to the case of about 134 electric interurban railways in operation in seven different States which are especially their home, embracing all or part of Groups I, II, III and VI of the Interstate Commerce Commission's classification of steam railroads, with which the electric roads are here compared. Summarized for Groups I to III inclusive, the average bonded debt per mile for 1905 for these interurbans was $21,644, as against over $46,000 for steam railroads; similarly, pas-

senger receipts per mile for the same period were \$4,446 for interurbans, compared with \$2,198 per mile for steam roads.[2]

In fine, in these times when very large size makes a corporation a mark for popular hostility and attack, which in many cases may ultimately prove financially embarrassing, numerous relatively smaller well-located and well-managed undertakings, not capitalized for hundreds of millions "pursue the even tenor of their way" in various parts of the country and in harmony with local sentiment and requirements, which only they need to consider, and without arousing the widespread antagonism that harasses the interstate corporation.

Throughout the land are many such local and quasi-local enterprises in corporate form, whose work is not so much in a critical public eye, but which operate efficiently and satisfactorily in their own communities, showing net revenue of two and three times their fixed charges, paying their bond interest promptly, and earning substantial surpluses either for reinvestment in the properties or distribution to the stockholders.

It is probable that as time goes on, investors will gradually awake to realize that there are many most desirable investment securities outside those prominently quoted and discussed in daily newspapers, which offer safety combined with good return on investments for longer or shorter periods, and will give attention to these properties whose issues once bought on a satisfactory basis may be quietly laid away in forgetfulness of superficial price fluctuations to yield their certain revenue until at length paid off at maturity.

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1. New York Bankers' Magazine, December, 1906, p. 879.

2. Annals of American Academy, September, 1907, pp. 150 and 153.

The Ticker's Rule.

\$ \$ \$ \$

Will this article help put dollars in the pocket of the man who reads it?

The Investment Editor of this magazine desires to be of service to all classes of people who have money to invest in bonds and who wish to secure maximum protection and income. We can do this best if you will tell us what you wish to know about the subject. Do you crave enlightenment on elementary questions, such as "What is a bond?" Is it something regarding the various classes of bonds? Are you a widow, orphan, guardian, business man, experienced or inexperienced in investments?

If you will write us on any point pertaining to the question of investments, we cannot only serve you individually but by the aid of your communication and others do the greatest good to the greatest number.

Address, Investment Editor, Inquiry Department, and enclose self-addressed stamped envelope if a personal reply is desired.

Fairly Constant Reader—Your suggestion that the tape abbreviations of several stocks be changed to "N. G.," possesses some merit, but in view of recent events there are so many issues deserving this title that some confusion might result.

"Some people get results if kindly encouraged—but give me the man who can do things in spite of hell."

"The reason some men do not succeed is because their wishbone is where their backbone ought to be."

"Many a man looking for sympathy needs really two swift kicks properly placed."

"The most expensive things are those you get for nothing."

THE BLOOD BAT.

By D. Ownanout [near-poet]

(With apologies to "That Vampire" of Mr. Kipling's.)

A fool there was and he bought some stocks
(Even as you and I)
He supposed the quotations were bottom rocks,
But now he's so poor that he can't wear socks
For the Bears kept selling his stocks in blocks
Till his margins all ran dry.

Oh, the "chink" we waste, to get rich in haste
(So to buy all the things that we planned)
Now belongs to the brokers we did not know
(And now we are "broke" we never will know)
But the "chink" they will understand.

A fool there was on a street called Wall.
(Even as you and I)
Who bought of a stock they called "St. Paul"
(In times like these imagine such gall)
He bought for a rise, but he landed a fall.
(Even as you and I)

The fool was stripped of his wool and his hide
(Even as you and I)
Which the street might have seen when she threw him aside.
But it isn't on record that Wall Street tried,
Though she clung to the wool and is having it dyed
To use in the sweet bye-and-bye.

And it isn't the shame and it isn't the blame,
That stings us all over the land;
It's the coming to know that however we try
We should buy when we sell, and should sell when we buy.
Oh, it's useless to understand.

My dear Editor: The above is the best I can whack off for your "Tickler" and what makes me tired as a would-be speculator, is the fact that the more the U. S. Treasury does for the money market the worse the stock market behaves.

I have seen but one number of the TICKER, and was impressed with the fact that it had the symptoms of being a rather good thing, if it could keep it up.

Hurriedly, but very truly yours,

DR. J. ARTHUR BULLARD.

Wilkes-Barre, Pa.

Wall Sreet Observations

From Thos. W. Lawson's Famous Calendar.

A Wall Street bull has no horns, but he can everlastingly bellow.

Anyone can make money in Wall Street—by driving a truck.

The sunny side of Wall Street depends upon which side of the market you are on.

"You must crawl before you can walk," was written to describe an ordinary rumor. A Wall Street fake can walk or run in its swaddling clothes.

Success in Wall Street is starting for a thing and getting away with it, in addition to any surrounding things that are not nailed down.

Wall Street is full of "cats and dogs," but each one is tagged and numbered and has a groom always waiting to turn him loose when the running looks good.

In stocks opportunity knocks once at every man's door, but doesn't always knock loud or present a visiting card.

Wall Street is democratic; it treats all men, poor, and rich, alike; the crowned head and the bald head receive the same notice to "margin up,"

Arbitraging

A Method of Dealing in Which the Chances are 90% in One's Favor. How $400. Profit was Made on a $5. Bill

ONE of the cleanest and surest ways of making money in stocks is by arbitrage operations. We do not refer to buying and selling stocks simultaneously in the New York and foreign markets, nor those operations which are carried on between large American Exchanges. To the average individual such dealings are out of the question.

In the kind of arbitraging here described the trader has comparatively few opportunities, but these are so advantageous, and, if taken at the psychological moment, so sure to return handsome profits, that it would almost pay one to wait until they occur and then take a mild plunge.

These opportunities generally present themselves when one corporation absorbs another; when a new issue of stock is being made, and in like instances.

Let us go back a few years and recall some of the occasions when deals of this kind were made by those on the alert. When the U. S. Steel Corporation was formed, J. P. Morgan & Company offered its common and preferred stock in exchange for securities of the various corporations to be absorbed. Holders of Federal Steel, common and preferred, American Tin Plate, common and preferred, American Tube Company, and other securities included, had merely to deposit their stocks at Morgan's office and receive in exchange therefor negotiable receipts. For these, in due course, were given new certificates of U. S. Steel, common and preferred.

On a certain date J. P. Morgan & Company announced that they had received a sufficient amount of deposits to guarantee that the plan would be operative, and invited holders of the remaining outstanding shares to deposit them on or before a certain date if they would participate. We do not at the moment recall the figures, but we well remember the fact that in practically every case the securities of the absorbed concerns were selling at from 2 to 8% less than their equivalent in U. S. Steel securities.

There was a big, broad market for all the shares, and one had only to buy, say, 100 Federal Steel preferred, figure out and go short of the number of shares of U. S. Steel, common and preferred, which was certain to be received in exchange. By this method some very large profits were secured with scarcely any risk, as there was nothing to prevent this corporation from absorbing the others, and the official announcement gave positive assurance that the plan would go through.

When Rock Island acquired control of St. Louis & San Francisco, it offered 5% collateral Trust Bonds, together with a certain percentage in preferred stock in exchange for 'Frisco common. There was a very nice turn to be made in this case by buying 100 or more 'Frisco common, selling the bonds "when issued" on the curb, and disposing of the Rock Island preferred on the Stock Exchange.

$400 Made from a $5 Investment.

One of the most profitable deals of this kind within our knowledge took place when the Kansas City, Fort Scott and Memphis securities were issued. If we remember correctly, holders of St. Louis and San Francisco stock were given the right to subscribe to a certain percentage of the new Kansas City, Fort Scott and Memphis securities on very advantageous terms.

Few people took the trouble to inquire

into the matter; those who did found that the "rights to subscribe" were selling at a price far below their equivalent in new securities. There had been a falling market for the rights until on the date of their expiration there was practically no bid for them, and holders were almost obliged to give them away. The time set for the expiration of the rights was at 3 o'clock on the afternoon of this particular day.

Just before that time a party walked into a certain brokerage office and offered 500 rights for a $5.00 bill. One man with a head for figures, got out his pencil, and in a few minutes calculated that there was indeed a handsome profit in it for anyone who would go to the trouble of paying for the new securities.

He quickly made the purchase of the rights for $5, and in a few minutes gave orders to sell on the curb, "when issued," the amount which would come to him in new Kansas City, Fort Scott and Memphis securities. By 3 o'clock he had made the desired sales, and had presented his rights, with a certified check for the required amount, at the Company's office.

Within a few weeks he had received his new securities, delivered them to the parties to whom he had sold them "when issued," and had cleaned up a profit of $400 on his $5 investment. In other words, he had made 80 times his original investment and had run absolutely no risk.

We have never, before or since heard of such a large percentage of profit being realized on any deal in the security market.

THE UNION PACIFIC'S BIG "SWITCH."

One of the largest operations of this kind was recently carried through by the Union Pacific Railway, which held a large amount of Northern Pacific, Great Northern and St. Paul.

All of the three latter roads have lately issued new stock and payments are being made on the installment plan. The new part-paid stock has, in each case, been selling 8 or 10 points below the old full-paid stock.

As Union Pacific's holdings of all these stocks are more or less permanent investments, Mr. Harriman and his associates figured that they might just as well sell their full-paid stock and buy its equivalent in part-paid. This would not only realize a profit of 8 or 10 points on every share so exchanged, but would give them the use of the difference in money, during the interval before the final payments on the new stock became due.

The last of these payments not being due until 1910, the Union Pacific will have in hand, in the meantime, a very large part of the cash proceeds of their old stock.

At the time this announcement was made St. Paul common was selling at 95, and the part-paid stock at 85. Northern Pacific full-paid was 105, part paid 94⅜; Great Northern was 111¼ and the part-paid 103¼. The profit on the operation figures out about $3,000,000.

There is a slight loss of interest on St. Paul and Great Northern, as the regular dividends on these stocks are at the rate of 7%, while the interest on the part-paid certificates is only 5%. However, this difference is more than made up in the advantage derived from the large amount of cash which can be loaned out in the "Street" at the prevailing high rates of interest.

Now consider that this same operation is open to every one who holds a share of, or who cares to deal in St. Paul, Northern Pacific and Great Northern. Yet how few have taken advantage of it. Anyone who owns these stocks for permanent investment, may reduce the cost of his holdings 8 or 10 points, simultaneously increasing the amount of cash on hand.

It pays profit-hunters to keep their eyes open for these unique opportunities. They occur many times every year. A good way to locate them is to keep tab on the new issues, and the changes or absorptions which are constantly taking place. Whenever you see rights quoted or whenever you have rights coming to you on securities which you hold, do not rush blindly into selling them, but figure out how you can turn them most profitably. Thereby your record of transactions will show up more satisfactorily at the end of each year.

The Out-of-Town Trader

Reasons Why His Operations Should Show Better Results than those of the Tape Reader

SOME of the most successful traders we have ever known have operated at a considerable distance from the market. In many ways the out-of-town trader has immense advantages over the fellow who is operating from his broker's office, surrounded by the tickers, news slips, telephones, and other conveniences, in an atmosphere highly charged with electricity.

Operating from a distance, the trader is apt to be more cautious, taking the position of a semi-investor against that of the ⅛-chasers, as some of the floor and office traders are called.

The out-of-town trader who operates on the long swings, basing his trades on fundamental conditions and values, and who plays with a big margin, is likely to make money. He is away from the excitement and turmoil of the "Street," he hears little or no gossip, and is apt to work on what he knows, rather than on what he thinks or hears.

Mr. Thomas Gibson, in one of his recent books, "The Pitfalls of Speculation," analyzes a large number of traders' accounts, and proves that long-distance traders are more uniformly successful than the other class of operators.

A Type of this Class of Traders.

Let us imagine a type of trader who is located in a small town where there is no wire service, and who is able to keep posted only by means of the quotations in his daily newspaper, and such publications as the Wall Street Journal or Wall Street Summary, which give detailed investment news, earnings, etc. By the aid of these publications he can readily estimate whether we are in a period of advancing or declining prices, as these run in cycles of from three to ten years and can generally be discerned far in advance by those who scrutinize the business and financial horizon. Within these cycles are many intermediate movements which run for weeks and months in one general direction, interrupted by the usual rallies and reactions. Such a trader will operate mostly on these "big swings."

He who wishes to trade more frequently may follow the secondary movements of the market, which run several points one way and then several points in an opposite direction, occupying from one to ten weeks.

A trader who is satisfied that the general trend of the market for the next year or two is to be upward should never operate on the short side, but had best wait patiently until the completion of one of the down swings and then make his purchases. This main tendency of the market should always be kept in view as it is unnecessary for a trader operating on the long side to take losses when the general trend is upward, and it is likewise foolish for a short seller operating in a declining market to allow himself to be similarly punished.

There is a marked difference between a reaction in a bull market and a decline in a bear period. The way to distinguish this is to observe whether prices at the completion of a downward swing are above or below the previous low levels. The chart of a bull market will show like a series of steps progressing diagonally upward. In a bear period they will be the reverse.

The out-of-town trader must, of course, study the values of the stocks in which he desires to trade; as prices sooner or later adjust themselves to these values. By keeping close tab on earnings he will have the inside track in his operations.

His Best Method.

It is on the 10, 20 or 30 point swings in a market (occurring several times a year) that the out-of-town trader can make the most money. He will not try to scalp a point or two, but will buy on a big reaction and wait patiently for a 10 or 20 point profit. He will also sell short when he feels that a stock has been boomed beyond all reason. He will not use stop-orders unless he is very much in doubt as to the advisability of his venture, and is willing to limit his loss on the transaction. He will trade only in the most active stocks, preferably dividend payers, as these carry themselves, or, as most people put it, pay their own board.

His orders will be placed at prices at which he is willing to buy or sell, and are usually "open" orders. This method leaves him free to attend to his regular business, and, if he is amply supplied with capital in proportion to the size of his ventures, he will have no cause for worry.

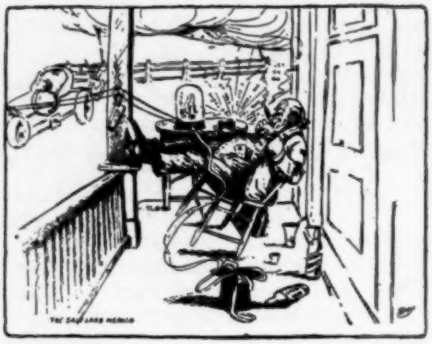
People who "sweat blood" over their transactions are almost invariably those who trade on small margins and are in momentary fear of being wiped out. This is probably the greatest single cause of loss among traders.

Many large operators prefer the quiet and isolation of an out-of-town retreat or of a branch office, where little or none of the current "Street" gossip reaches them. Such gossip is always more or less disconcerting.

All things considered, we believe that the out-of-town trader, who works along the above lines, has so many advantages in his favor that he need in no wise envy his city friend who operates with one elbow on the ticker.

"Credit is the atmosphere which inflates the lungs of business, and when it is greatly lessened, business must be reduced in proportion or be quietly smothered."—*Jas. J. Hill.*

There are Bankers and "Bankers." The TICKER knows which is which.



A friend sends this clipping and asks if this is the Ticker's idea of the Out-of-Town Trader.

Well, not exactly.

A subscriber writes: Permit me to say, regarding The Ticker, that the tone of its columns carries with it a degree of unselfish sincerity that stamps it as a journal that is conducted on conscientious lines.

It is a principle with large operators to hide themselves away where gossips cannot get at them on the ground that the more they hear the less they know and that the only things worth knowing are what the ticker says and actual news.

The small speculator has a craving for gossip and gets as many opinions as possible. This is one of the reasons why most small speculators lose money.

Don't fail to read page 50 of this number.

To Those Who Wish to Deal in Small Lots of Stock.

Upon request the TICKER will furnish the name of a responsible and convenient house—member of the New York Stock Exchange or other exchange of equal standing—where orders for small lots will be accepted for cash or on margin. Enclose stamped addressed envelope for reply.

Address of Samuel T. Hubbard

Ex-President of the New York Cotton Exchange, Delivered at the International Convention of Cotton Spinners, Manufacturers and Growers, Atlanta, Ga.

THE New York Cotton Exchange is the oldest and most cosmopolitan cotton exchange in the United States. Its members are to be found in all the large cotton markets of this country, and 90 of its 450 members live in the South. In their various offices, the members of the exchange pay for and handle 70 per cent. of the annual cotton crop of the country.

It maintains the standard of grade adopted in 1886 from which the other cotton markets have departed, and it maintains the only paid board of expert classers in the country, whose services are at the call of any member of the trade.

It is the only exchange in the world which publishes fortnightly the exact number of bales of each grade in stock. It is the *only* exchange in the world *that guarantees the grades delivered in this or any other commodity*—an innovation in business unheard of anywhere. It is the great clearing house of the cotton trade. Cotton owned by our members is stored in every market in the country, and hedged against in New York. Cotton is sold to spinners for forward delivery and hedged against in New York.

For example, a member of this exchange, a Russian spinner, sold at the great fair of Nijni Novgorod in Russia, yarn for delivery to the merchants who carry it back to be sold on the steppes of Asia. This merchant bought 40,000 or 50,000 bales of cotton on the New York Exchange for Fall delivery to cover this sale. When he buys cotton in the South he will sell out his hedges in New York. Thus trading in 80,000 to 100,000 bales there, without a bale of cotton going to New York, but by his purchase during the spring carrying a portion of the visible supply. In a similar manner spinners now seated before me have bought contracts in New York against their forward sales of yarn. This is the great legitimate use of the exchange coupled with the selling by planters of a portion of their growing crops to secure themselves against a possible decline in prices during the season.

We have been the subject of severe criticism during the past season through the destruction of the crops by the storm, making a basis contract of less relative value than ever before, as compared with even running grades. We are quite willing to admit that we make mistakes through our inability to forecast the weather, but the mistake was an honest one and we frankly admit it.

We placed upon our grade committees last season, two Southern members and two Eastern members, and they all voted against the revision as it was made, because it was believed to be extreme. This season, we asked General Gordon, of Savannah; Mr. Inman, of Atlanta; Mr. Rodgers, of Norfolk; Mr. Farnsworth, of Memphis; Governor Francis, of Missouri; Mr. Bush, of Boston, and Mr. Tuttle, of Fall River, to act on that committee. Do you know of any other exchange anywhere, which selects seven of a committee of seventeen members from outside the city in which the exchange is located? We have heard of endless amounts of destructive criticism, such as can be obtained on any subject, but not one word of constructive ability to remedy errors which may exist. We would welcome any suggestion. About 75 per cent. of our business consists of hedging transactions. We have before

mentioned that this has become the modern method of transacting so vast an undertaking as the moving of the cotton crops. The balance is speculation.

Speculation we will always have as long as the world exists, as that is the method devised by nature for the forward movement of the world. For this reason 80 per cent. of mankind seek a profit by buying something, whether it be cotton seed, copper, iron or real estate. Speculation exists in these articles without an exchange, with the fluctuations much more violent. Eliminate speculation and you have but one buyer. With only one buyer history shows us that the producer suffers. Why drive away another buyer who relieves the market at times of 2,000,000 bales of cotton? He seldom sells short. Men are not built that way.

Eliminate the cotton exchanges in America, and Europe, which buys three fourths of your crop, will control the price. Mr. Macara stated yesterday that he led a movement to reduce the consumption of cotton, in a period of great scarcity of cotton and cotton cloth, which caused a decline from 16 to 17 cents, to 9 to 10 cents. What would you have said if the Cotton Exchange had done such a thing? And until yesterday you undoubtedly believed that decline to be due to that institution.

Now you propose to make the spinner pay a comparatively high price for his cotton. What would the spinner say if the Cotton Exchanges took such action? The spinner sells his goods four to six or eight months ahead, without having his cotton. I have learned while on this trip that this is not speculation, but good business judgment. What would you say if I had done that? I own one thousand bales of cotton contracts bought for a profit. Have I done anybody any harm or am I not entitled to use the brains I possess in attempting to make money by an advance in prices? I am reminded of the man whom it is told in Matthew, Chapter 25, 16th verse:

"Then he that had received the five talents went and *traded* with the same, and made *them* other five talents."

The verdict is to be found further on in the same chapter, which reads:

"His Lord said unto him, Well done thou good and faithful servant."

It is but a few months ago that practically all cotton-growing States except Louisiana and Mississippi closed the Cotton Exchanges and went into their "hold your cotton" scheme. Not long afterward there were extensive cotton failures in Alexandria, Egypt, and the States which had closed the brokers' offices lacked the prompt explanations which were telegraphed through the States that had kept their Exchanges open. This is but the incident of a day, but it illustrates the course of business of a season, which has left the farmers holding their cotton on a declining market, when they might have sold it to advantage if they had had the wit to use the Exchanges which they had closed.

Another example is the similar agrarian legislation in Germany. With characteristic thoroughness the Germans passed prohibitory laws, but the results were as unwelcome as unexpected. Open speculation was stopped, but it merely went underground or across the border. Much capital was expelled from Germany, and there was a great deal of "welching." There as here the farmers suffered by the loss of intelligence gathered and spread by the market operators. For these and other reasons there is now in Germany what may be anticipated here—a more urgent demand for the repeal of the laws than for their enactment.—*N. Y. Times.*

TO BROKERS

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Booklets are splendid business producers. They not only prove that the house issuing them is up-to-date, but that it is desirous of aiding its clients in every possible way. Tell us what you want. We will make suggestions and submit prices.

Who Gets The Profits?

A Problem-Story involving some lost Bonds and a deal in Wheat

By "BARD"

Author of "Ahead of the Ticker"

IF I were to do it over again, I wouldn't. And that expresses exactly my views on the outcome of certain recent and strenuous efforts on my part to break into Wall Street. Not that the locality is lacking in opportunities—oh, Lord, no! There are opportunities to make money every day in the week. Dozens of them. More, indeed, than any one man can possibly utilize. But they are not for me. I saw the opportunities, all right, and took advantage of them. I made so much money that I was ashamed to count it until I got home; and what good does it do me?

I tell you, the Wall Street game is too easy. I could see that, right at the start, and promised myself that a man with *my* luck was only fooling away time in monkeying with it. It was too much like finding a gold mine in your sleep at 6.59 in the morning, with the alarm clock set to go off at seven.

Maybe you are too advanced in your ideas to believe in luck, but I can assure you there are more kinds of luck in Wall Street than you could shake a stick at if you had the ague, and during the last few days I've had a generous sample of each different kind. I'm quite sure about this. At any rate, if there's anything in the line of "the unexpected" that I did happen to miss, I'll take your word for it—and *then* I'd just as leave you wouldn't tell me.

Did you ever tickle yourself almost to death contemplating a run of good luck, only to discover in the end that it wasn't what you thought it was? I have.

One night not long ago I sat in a little game of draw poker. It was the first time in my life that I ever took the game seriously, and played for what profit there might be in it. Two other chaps began raising each other before the draw, and I stayed with them; sort of hung on by my teeth, you know, questioning all the time whether my three eights were worth it. Then we drew cards and I got another eight-spot.

Well, sir, I mentally retracted everything I ever had said about the quality of my personal luck. I felt mean for having, in times past, judged so hastily. All the fancied bad luck that had gone before was nothing, nothing at all, compared to the good fortune that nearly overwhelmed me in this final supreme moment, and I took a new lease on life. The future seemed *so* much brighter, now that I realized that I really was born lucky, and I just couldn't help feeling that on the morrow I would fall into another soft job that would pay me even better than the last one. Four eights! Why, I had the money as good as spent already.

We commenced betting, and every time after I had raised the limit I kept thinking to myself, what a lucky thing it was that I caught that other eight. And when I got over tickling myself with that idea, I would reflect that it was almost equal good fortune to have such fine hands out against me. Oh, yes, it was a cinch.

Pretty soon the chap that had stood pat, bluffing all the time, dropped out. The other man had drawn one card, and I was playing him for a flush—or, at best, a full house. But he raised every time, and seemed to be getting so much enjoyment out of the situation that after a while a strange feeling came over me.

At first I said: "No, it's impossible." But there was something in his face that seemed a contradiction, and I began to get cold feet. Any way, there was enough money in the pot for one killing, I figured, and as I could "call" and still have enough change left for carfare, I thought I'd better do it.

"Well," he said, "I've been doing *my* bluffing on a quartette of typewriters. What's yours?" And with that he spread out four queens and looked pleasant.

Now, any one would think that a bunch of hard luck like that would come to a man only once in a lifetime. But when you reckon with *me* as a subject, you want to be careful. You never can tell what will happen—to me; and because this is true I got up against identically the same proposition in the wheat market. While I was getting warmed up to my little speculative dream I thought myself the luckiest mortal south of Forty-second street; but now that it's all over I guess any one would agree that I'm the most unfortunate cuss north of the Battery.

I never meant to go into the wheat business, any way. I just fell into it. In the morning I spent my last nickel to ride downtown on a Broadway car, expecting to walk home; and before night I was a fearless speculator, with an account at my broker's—with an *account* at my broker's, I say. Please don't let the force of the statement escape you. I'm particular about this, because I don't expect ever again to have an account with a broker or any one else, and I want to make the most of this one, while it lasts.

You see, it was this way. I was head bookkeeper for two years with a large wholesale house, and three weeks ago it failed. After a few days it became apparent that the old business could never be reorganized, and I found, upon looking around for a new position, that there were not many to be had. It began to look as if I would require a receiver to be appointed for myself, a catastrophe in which the assets would be stated at about sixty-five dollars, cash, and liabilities of perhaps twice that amount, in current bills.

During those two years my one failing had been the game of draw poker—and as a failure it certainly was a success. I had always played just for the fun of the thing, but when I saw my cash reserves reduced to less than forty cases within a week after the crash at the store it occurred to me that I might, by careful work, keep my head above water for a little while by bucking the tiger on scientific lines. You know already how this idea exploded.

Among the advertisements in the paper on the following Sunday was one inserted by a prominent Wall Street commission house, requiring the services of an expert accountant. I knew nothing of Wall Street bookkeeping methods, but I resolved to apply for the position, any way. So the next morning I put the clipping in my pocket, and handed out my last nickel to the conductor on a Broadway car.

As there were no vacant seats I had to stand and hang on to a strap. Right in front of me sat two men who were talking about the stock market, and as I was myself headed for Wall Street it was perhaps only natural that I should absorb certain more or less interesting portions of their conversation. The elderly man, it seemed, had recently returned from an extended tour through the West, and because of the enormous crops he had seen, gave it as his opinion that "rails" should be purchased. Why anybody should want to buy rails just because crops happened to be large was more than I could understand. But, after all, it wasn't any of my business. The other man, the younger of the pair, took quite a different view of the matter. He was plainly much interested in his companion's statement about the crops.

"You think the wheat figures are going to be large, do you?" he inquired.

"Certainly. Never had a better year," was the old man's reply.

"That doesn't agree very well with the market just now, in view of the late advances on crop damage reports."

The old man didn't reply to this immediately. He just shrugged his shoulders and gazed absent-mindedly out of the opposite window, fumbling nervously at the rubber band around a fat envelope

which he was holding in his hand. Suddenly he turned, as if something had prompted him to divulge what he had first been inclined to guard as a secret thought.

"Those crop damage reports. Bah!" And again he made a deprecating sign. "The damage is all in the telling of it. The fellows that are short of stocks are killing the crop so they can cover, and as wheat goes up they're selling it. It's a sale, a big sale—and corn, too. Going to have a bumper corn crop. If you want to be right on this market, you buy rails and sell wheat and corn."

Well, it was all Greek to me, but the younger man of the two acted as if he'd learned an awful lot in the last few minutes and intended to "feature" it in his business, whatever that might happen to be. I could see, of course, that somebody was awfully mistaken about that crop business, and stood a good chance of getting hurt; but how the younger man was to make any money selling wheat and corn when he plainly wasn't a farmer and didn't have any to sell, and why he had to buy fence rails or railroad rails or any other kind of rails to complete the other end of the proposition, was too big a conundrum for me to handle on short notice.

Then they got to talking about bonds. The younger man thought that one kind of "fours" was better than another kind of "fives," but the old man didn't agree with him. He said the "fours" were no good, and I was willing to bet he was dead right. I was sore on "fours," considering my experience with the eight-spots only a couple of evenings before. For mine, give me fives. If I could get five of a kind once in a while, maybe I could win something. But the younger man wasn't convinced, and they got into a rather spirited argument, in the course of which the old man started to open the envelope, evidently for the purpose of proving some statement by reference to its contents. He never carried his point, however, for just then something happened.

All I knew at the time was that there was a violent crash, a sudden stopping of the car, and then panic. Here are the details, as explained by the newspaper reporters: A huge dray, loaded high with empty barrels, stood at the Fulton street crossing, waiting for the policeman's signal to cross. As our car approached, bowling along at a pretty good rate, one of the ropes that was stretched around the barrels snapped, and they began tumbling to the pavement. At that particular spot the noise doubtless was tremendous, for I heard the rumble of it inside the car. To make it worse a lot of bystanders began yelling at waiting pedestrians on the crossing to get out of the way, and the result was that the horses took fright and dashed ahead, smashing plum into the side of our car. The tongue of the wagon was forced right through the window back of the seat occupied by the old man, and the end of it struck him squarely in the head.

Nobody had time to think. We knew that an accident had happened, and a bad one, and everybody's sole desire was to get out of the car first, and find out afterwards what damage had been done. Before half of the people escaped, however, two policemen had fought their way into the car, and were shouting to us to sit down, but as every one seemed to prefer to walk, the car was soon emptied. and they carried the unconscious form of the old man into a nearby drug store.

That's the way the reporters told it. They missed one little detail, however, which might have added much interest to their story, had it been followed out to the end. They neglected to state that a stranger picked up the envelope which had fallen from the old man's hand, but if they had come to me I could have told them all about it.

I followed the crowd to the door of the drug store and was trying to work my way inside, when one of the policemen appeared in the entrance and ordered us to move on. This was a perfectly natural and proper thing to do, of course, but in the excitement of the moment it angered me. I considered that I was playing a part of no little importance in the incident which had just transpired, and disliked being taken for a common idler, curious for a sight of the gruesome. Even when burning under this sting a sense of duty prompted me to hand the envelope to the officer, with due

explanations, but at that instant he observed my hesitation and turned upon me with all the vehemence merited by one who dared to disobey. Not only was he abusive, but his brandishing club made that particular locality decidedly dangerous. I saw that I really wasn't needed around there, so putting the envelope in my pocket I turned and walked slowly down the street.

Every moment I wanted to examine its contents, which I felt instinctively were of considerable value, but it seemed to me that everybody on Broadway was also hanging around for the express purpose of watching me take out that package and open it.

Never before in my life, apparently, had I attracted so much attention, and I grew so nervous that I half expected to be arrested every time I approached the policeman at an intersecting street. But with a little brisk walking this feeling wore away, and upon arriving in front of Trinity Church I grew positively bold. Drawing the envelope from my pocket I slackened my pace perceptibly and took a peep. Six of them. And whatever they were, they looked pretty nice and decidedly official. Then I took one quite out of the envelope, and partially unfolding it, discovered that it was a $1000 five per cent. railroad bond—and they were all alike.

Six thousand dollars!

Well, honestly it made me sick—to think what I couldn't do with that money, because it wasn't mine. And then, as I walked on, I fell to wondering about the old man. Was he killed? And if not, what were the chances of his paying a reward for the return of the bonds. It was a very interesting situation to a man without so much as one cent in his pocket, and I began to think that, after all, perhaps I had run up against a piece of good luck. I shoved the bonds into my inside pocket, turned, and once more headed for Wall Street, having concluded to await further developments.

The address given in the clipping was "suite 624," and on the door I found the sign: "Wyngate & Stoute, Commissions, Stocks, Bonds, Cotton, Grain." I entered a big room, mostly filled with empty chairs, and divided across the middle with a massive glass partition, the windows in which were protected by brass bars. At one of these peep-holes a young man informed me that the manager had not yet put in an appearance, but if I wanted to open an account, he added, I could make all necessary arrangements with him. I assured him he was very kind, but explained that my business was of a different nature, and then he suggested that I take a seat and wait until the manager arrived. I might expect him in half an hour.

Replacing the clipping in my pocket I walked over to a ticker that seemed to be working over time, and proceeded to get familiar with it. This was a wise move, I fancied, if I was to pose before the manager shortly as an expert Wall Street accountant. Some men have learned an awful lot about Wall Street in thirty minutes, and it was just possible I might do the same. At any rate, there was nothing to lose in throwing a strong bluff.

Just then the outer door opened and a short little man with a big stomach entered the room. I might have taken him for a Dutch professor, only for the fact that he left, figuratively speaking, a trail of oats and hayseed behind him as he approached by quick, wobbly steps to the ticker. He pulled a section of the tape from my hand, much as if he might be the sole owner of the machine; but there was nothing on it that I could translate into readable English, any way, so I didn't care. I learned, subsequently, that the tape always belongs to the man who can get it. While he looked it over I noticed that he had been eating eggs for breakfast, and this, together with certain other little observations regarding his personality gave me something of a shock. He seemed out of place in Wall Street, according to my previously formed notions, and later on it devloped that this was a pretty good guess.

"I see London's up a little," he said, and as there was no one else in the room except two men who were just that instant entering the door, I presumed the remark was meant for me.

"Yes, I noticed," I answered. I would have said the same thing if he had mentioned Kalamazoo, instead of London;

but I thought I might as well start the bluff with the Dutchman. It would sort of get me in trim to tackle the manager, and it was a safe bet I could stand for a lot of trimming.

"But then," he continued, gazing hungrily at the last bit of news on the tape as it was being spelled out letter by letter; "you can't go much by that. Sometimes London follows us, and sometimes we follow London. Those fellows, they don't know nothing about our market here. Look what they're doing—buying the rails! See?" And he indicated with his thumb nail on the tape. "Every one of them up from three-quarters to a point and a half. Such foolishness!" Then he laughed softly to himself, but with much evident content and confidence. "I would like nothing better than to sell them a basketful, if I had the money."

It seemed to me that everybody in Wall Street was going dippy on the subject of rails. The old man on the Broadway car had predicted that they were a good purchase, and now here was this little red-faced lobster, fretting because he couldn't *sell* a basketful of them—and from the way he spoke I judged that by so doing he would make enough money to last him all the rest of his life. I began to wonder if a rail really was a rail, and how could you get them into a basket. I concluded that right here was a good chance to learn something. It was hard to throw up the bluff, but after all, better show down to the Dutchman than the manager. So I said:

"What are the rails, any way; I don't quite understand what you mean."

My fat friend turned and looked at me over his glasses, curiously. "Oh, ho," he cried. "You have not long been in Wall Street, what?" Then he chuckled as if he thought it was a pretty good joke, and taking me by the arm led the way over to a couple of chairs. "The rails," he began, "the rails are the railroad stocks. If you want to lose money speculating in a lot of railroad stocks all at the same time, then you are buying rails—now you see it? The word 'rails' saves you the trouble of speaking about all of them when you have got too many."

I thought I was beginning to tumble. "But why do you say that you buy the rails when you want to *lose* your money?" I asked him. "Why should anybody want to do that?"

"That's just it, now you're getting the idea. *I* don't know why anybody should want to buy the rails."

"No, you don't understand," I interrupted. "I mean, why should anybody want to lose money, buying the rails?"

"Well, ain't it the same thing? You buy the rails—the rails go down—you lose money. Do you think rails are going *up?*" And he looked at me as if to imply that, surely, in spite of my evident ignorance, I could not possibly entertain such a preposterous belief as this. I said, no, I didn't think anything about it. I was just trying to find out what *his* ideas were.

"You want to know what *I* think about it?" And he leaned back in his chair, clearly astonished that I had not devined his views on the subject. "My dear fellow, why—" but his emotions were too much for him. He decided, evidently, to tackle the problem on different lines. "No, no, no, you tell *me*. You tell me why the rails should go up, and then I will tell *you* why you're wrong."

It seemed fair, but I said I wasn't open to the proposition, just at present. I only wanted to know what *he* thought about it.

This touched the spot, and he loosened up. "I see," he said, putting his hand on my shoulder. "I see what you want. You want to know how to make some money, what?"

Yes, that was it, exactly.

"All you have to do is to"—and now, leaning over, his voice dropped to a whisper. "——is to *buy wheat*. Buy a thousand bushels, or ten thousand bushels, or as much as you like—of December. The more you buy, the more money you will make. It's just as easy as adding two and two together, and the result is about forty. But it's going up quick—two or three days, maybe. And then you take your profits. My friend, you are just in time. Have you with this house an account?"

I knew he'd ask me this, and I was ready for it. No, I hadn't opened an account with any house, as yet; was sort of

(*Continued on page 46.*)

Grain Speculation Not A Fine Art

Common Sense the Chief Requisite

Ed Note:—This book, which is being issued by E. W. Wagner, a member of the Chicago Board of Trade, is probably the most valuable work on Grain Trading that has ever been published.

Its value lies in its literary merit, as well as the infinite detail with which its ideas, principles and suggestions are worked out. The following from its initial pages will serve as a specimen of what follows.

Much has been written about "Speculation as a Fine Art." Of course it is successful speculation that is meant. In Board of Trade commodities it is not fine art, but the hardest kind of common sense that succeeds in speculation.

Common sense, or rather sense extraordinary in trading speculatively in grain, is that principle which most effectively reverses, defeats and kills art and artifice. It is the principle that will show itself in a simple, but broad and comprehensive view of the relation of certain commodities to the chances of profit by buying or selling them for future delivery. The point is to correctly found a conclusion on existing or promised conditions of great plenitude, moderate supply or positive scarcity of such articles or commodities, estimated and measured to meet periods of urgent necessity, normal demand or surfeit of offerings. Art cannot assist in doing this. Fitting these together to ascertain the most likely results calls for common sense—not fine art.

We may find the fine art in that which promotes, finances and underwrites schemes to call out and excite speculation, but it is the common sense of speculation that puts it to the touch. It is fine art that covers, with attractive tinsel or inviting chaff, the snares and pitfalls set for speculators; but it is common sense that first detects and exposes the deception of the promotor or, on the other hand, confirms the worthiness of his views and conclusions and the correctness of the enterprise he launches. Art in grain speculation is confined mostly to the crop guessers and their reports, and to learn how worthless or how valuable they are is the first thing the speculator with strong sense will see the necessity of studying.

Speculation is not a gamble or mere chance; it is a common thing to call it such, but those who operate on the theory furnish most of the failures. To the man of experience and scrutiny, who enters into it with money, purpose and patience, speculation in grain and provisions will assume the simplest form of mercantile business. Its simplicity lies in these facts: the speculator is under no necessary outlay for rent, clerks, salesmen, stationery or advertising. His expenses are fixed and minimized to a commission. His dealings are confined, furthermore, to articles or commodities generally imperishable, strictly necessary in trade and commerce or basic in other industries.

His attention is devoted solely to the watching of influences that reflect upon and make prices higher or lower; he has time to sift out and retain the facts from the mass of rubbish called news; and he can seize upon a profit quickly or stop a loss promptly without other interferences, delays or losses. All this the man actively engaged in mercantile business must do, while hampered and confused by the minutiæ of receiving, insuring, storing and handling merchandise, studying credits and guarding against peculation and losses other than those arising from the change of values in fluctuating markets.

Investment and Speculation—Some Valuable Suggestions

By Montgomery Rollins

Being the Foreword from His Latest Book "Money and Investments"

THE tremendous and invincible force of prosperity which spread throughout our States, beginning in 1897, the like if which no other nation has ever experienced, has enabled many corporations, which met financial disaster during the middle of the "nineties," to regain a sound moneyed footing. Many securities of such corporations, which were discredited in the minds of investors, have since been eagerly sought for by the most conservative and at very high prices.

People who, losing faith in the future of this great food producing country, threw over their investments at enormous losses, must look back with wonder upon their timidity, and feel that until the United States has exhausted its resources, a condition which at least this generation need give no concern, the swing of the pendulum to hard times and low prices furnishes no time to sell standard securities, but rather a time to buy. Yet this is contrary to the custom of the small investor; he loses confidence and sells at panicky prices, and regains faith just in time to buy at inflated prices.

Now, in all such times, there must be some who reap the benefit of this ill-advised selling and buying; they are the large investors; bankers and brokers, who trade for their own accounts; and those associated in the management of our corporations and who can judge the future of their earning capacity.

How is it so many rich men grow richer? Does it ever occur to the small investor that no new money actually comes into existence by the selling of a thousand shares of stock at twenty dollars per share over the cost? Yet such a transaction enriches some one $20,000. Not even the equivalent of money, such as the farmer, the mechanic, the miner, etc., produces, results from such a buying and selling. Some one must at some time have produced the money equivalent which pays the $20,000 profit. It is the toiler who really, by his labor, creates the money equivalent to buy the stock.

Recognizing, therefore, how many rich men grow richer, and how few small investors profit in the long run by buying and selling securities for gain, it must be evident that there is a constant flow of the earnings of the toiler into the pockets of the few, largely because, as illustrated by the old simile "like a flock of sheep," the "public sells at low prices and buys at high, and the wise ones, having confidence in the future, go contrary to the majority, and harvest the crops of other people's planting.

The advice once given by a merchant of broad experience to a young man who thought, during 1893, that the commercial world had no bright future, "never to sell the United States short" was most sound. That young man held on to his goods and chattels and saw values exceed what they ever had been before.

When to Buy and Sell.

By a little study of prices ranging long enough to cover both years of prosperity and depression, some notion of relatively high and low security-values may be had. This done, the time to sell, if sell we must, is when the high level seems to be reached; then put the money in a bank and wait until the swing towards low prices—and the wait may be a long one—is well accomplished, and thus the time to buy is at hand. But buy the highest grade, standard investments, for even the most conservative stocks and bonds will then be found at cheap figures.

The mere fact that one has money to invest is no argument for so doing at the moment, even to buy the best the market affords. Ruling prices should be consid-

ered. No merchant would stock up to the limit of his financial capacity if he considered prices exorbitantly high; he would leave the money in his bank and wait. Why should not the investor do the same?

Standard investments are mentioned in the second paragraph preceding; and what such investments are is a subject to ponder on; a subject which State legislators are constantly considering in order to enact laws to safeguard the investment of savings bank and trust funds.

A person who feels wise enough to divide all investments into two classes: standard or safe and questionable or speculative, is, indeed, possessed of self-confidence. Still some general advice can be given which will help one to reach a fair conclusion.

Sound Advice.

A man blessed with a moderate property sufficient for the welfare of his family, in case of his decease, provided the principal should suffer no shrinkage, gave his wife this advice—he had made her his executrix under his will, and it would devolve upon her to manage his property if she outlived him—"buy no security not sanctioned by law as a legal investment for Massachusetts savings banks."

Of course, this anticipated no less conservative laws regulating the investment of the funds of such institutions than at the time the advice was given, but, perhaps, on the whole, no better reading of the future could have been undertaken, and no better advice given in so few words. In general, the laws regulating the investments of savings banks, as now in force, in such other States as New York and Connecticut, and, to a large extent, Maine, Vermont, and New Hampshire, may be used as guides in the selecting of securities.

Now, many will say: "But I can't live on such small interest return as this kind of securities affords." Quite right, but neither can they afford to lose any of their capital. High interest rates beget loss of principal. This should be a motto and hung as conspicuously in the household of those of limited means as other mottos once so common in the New England home. To get with safety better than 3½% to 4% interest return one must either be a shrewd, well-posted person in financial matters, or rely upon the advice of some one who is.

Misplaced confidence has been ruinous to the small fortunes of thousands. Undoubtedly there are numerous bonds of Southern and Western municipalities as well as bonds of public service corporations, which present a minimum of risk, paying from 4½% to 5%, but buy such only of bankers of long experience and good established reputations, and who are known to follow carefully rules and customs which years of practice have fixed as proper.

Again: let the careful thinker consider if there are not certain investments based upon the needs of this nation of great resources which must, in the very nature of things, be sound. Who was it that once said "a man will see a fly on a barn door and miss the door?"

A Broad View.

Look at a map of the United States; do not get too near it; one, by so doing, sometimes sees the name of a small village, but does not see county or State names, which are in large letters. Consider this map from a broad and general standpoint; grasp, in your mind's eye, the enormous traffic of this country; the big arteries of transportation. It would seem that the bonds and many stocks of these large railroad lines must be reasonably safe, for these big systems carry commerce from ocean to ocean, bringing the products of the West to the Eastern marts, and, also, in vast quantities for shipment to the European markets. They, likewise, transport the manufactures of the East to the West as well as to the steamship lines, largely controlled by these same railways, which pass them on to the Asiatic countries. Such immense traffic as this must furnish the basis for sound investment if anything can.

Unquestionably, there are almost countless small investments, here and there, which are safe and very profitable in interest return, but it is the belief on the part of so many that they have found just such a security which leads them

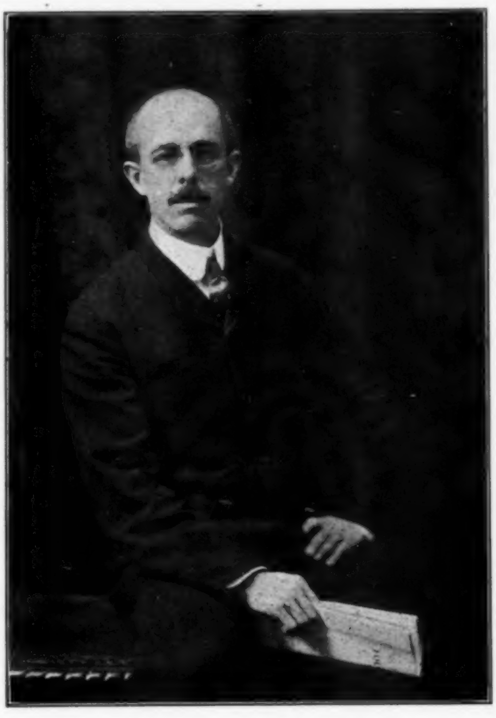
astray. Better follow well-established rules and not be tempted by the wayside.

MINING INVESTMENTS.

No one may gainsay that there are not many gold and copper mines which are good, very good, but how often does the outsider get a chance to buy such a security at a legitimate price? When found to be beyond reasonable risk they are high in price. Certainly, they pay more than 3½% or 4%, but it takes an expert to pick out the good ones among the multitude of mining issues for the benefit of the kind of investor referred to here.

It is customary for reputable banking houses, handling mining securities, to first have the properties examined by competent engineers and other well-known experts. When this has been done, they have gone as far as possible for the protection of the purchaser, for no one can see into the ground beyond the property already developed. There is the ever prevalent element of risk in investments of this class.

If the temptation to buy mining investments of any kind is allowed to influence one, bear one very important point in mind, viz., that a mine is ever consuming itself,—so, likewise, are such properties as oil wells, quarries, etc.,—and at some future time the product must cease altogether, or the mine reach a depth too great for economical production. The shares of a mine, therefore, should not be valued entirely by dividends. A sufficient allowance should always be made for the exhausting of the mine's resources. In case of a bonded debt upon a mining property, the investor should be sure that there is a sufficient sinking fund set aside for the payment of this indebtedness, which sinking fund should be ample to allow for the reduction in the mine's value, for the reasons given above. In relation to mining, it is probably true that "more money has been put into the ground than has been taken out of it."



Montgomery Rollins

Do not be argued into buying a mining security based on the location of the mine being near another similar property of established value.

LOW PRICE NO CRITERION.

Let not the fact that a security can be bought at a discount—less than its face value—alone entice you to a purchase. That in itself is no argument to buy. It should warn one even to a more careful scrutiny of the property back of the investment. It is a well-known fact that the suicidal policy of buying only at a discount wrecked one savings bank.

Do not judge the value of shares by one dividend or by an increase in the dividend rate. The value of shares based on dividend rates can only be ascertained by a period long enough to test the corporation's dividend paying ability through good times and bad. A corporation which has been, for a term of years,

returning 4% per annum to its stockholders and selling at $100, enjoys extraordinary good business which, for the time, warrants the increase of the semi-annual dividend rate from 2% to 2½%, equal to 5% yearly.

Speculators seize this opportunity to force the price of the stock to 125, at which price the increased dividend rate still only equals 4% return upon the investment. There is no certainty that 5% can be maintained, nevertheless up has gone the stock, and investors buy it more greedily at 125, yielding 4%, than they did at 100, yielding 4%. It will take twenty-five years of the dividend increase to return the market value increase of the stock.

Perhaps that is hardly a fair way of putting it, but it may cause people to hesitate before acting according to the belief that one swallow makes a summer. Stocks are forced up or down in the market upon the least excuse, and those close to the scene of action make money at the expense of those who allow themselves to be influenced by surface appearances, and who do not probe to the bottom of real conditions.

(*To be continued in the February* TICKER.)

How I Made $8,312.50 Profit.

On a privilege costing $625.

By Mr. C.

SHORTLY after the death of President Garfield, I was trading around the "Street" in a desultory sort of way, and had foolishly loaded up with a bunch of stocks which there was no chance of selling for a good long time.

I knew very little about the speculative game and traded more on guesses than anything else. Hence the big losses which were staring me in the face had got on my nerves more than they would have done had I known exactly what I was doing.

I hung around my broker's office mourning over my losses, and doubtless looked as though attending the funeral of my best friend.

One day, when things were in the doldrums, a Hebrew gentleman with a reddish mustache wandered into the office, strolled up to the ticker, twirled his mustache, and in a monotonous tone of voice chestily remarked: "I'll sell a Spread on Wabash."

Turning to my broker, I asked: "What is a Spread?" (My knowledge of Spreads was limited to the kind that occur about dinner time.) My broker kindly explained, but when he had finished I knew little more than at first.

"I'll take it any way; how much is it?"

"Six hundred and twenty-five dollars," was the reply.

I instructed my broker to pay him and charge my account; then I began investigating my new purchase.

I found it was a Spread on 500 shares of Wabash, and contained the right to put 100 shares of that stock at 54 or

call 100 at 58 at any time within sixty days. It was signed by Russell Sage.

The stock was then selling at 56 and my broker explained that if the stock declined so I could buy it, in the market, at 50, I could "put" it to Mr. Sage within the sixty days at 54, and make $1,375 (viz., $2,000 less the cost of the Spread). This point was fairly clear, and I began to watch Wabash closely.

The stock declined steadily. One day my broker came to me and said:

"Why don't you trade against your Wabash privilege?"

I did not know how to trade against it, and told him as long as the stock kept on going down I should not worry much about it.

Just before the sixty days expired the stock was selling several points below 50, and by that time, you can bet I knew enough to figure that I had a handsome profit. My broker advised me to get the privilege extended if I could.
sell," finding him in a little dingy back
Accordingly I called on "Uncle Rus-
office. When asked if he would renew the privilege, he said:

"What is it worth to you?"

My reply was, that the stock was down to a point where my "putting" it would mean a considerable loss to him, and that he ought to be glad of an opportunity to extend it another sixty days. This should be done without expense to me, as in the meantime Wabash might again rally to above 54 and his loss would thereby be wiped out.

He growled around for a while, but soon realized that he could not get a cent out of me. So he signed the renewal on the back of the privilege.

Wabash kept on slumping. My friends urged me to take my profits. I fought them off until one day, when the stock was exceptionally weak, I had the extreme pleasure of buying 500 shares in the market at 36, realizing a gross profit of 18 points or $9,000. Deducting my original investment of $625 and the commission on my purchase of 500 shares ($62.50), I found that I had netted a profit of $8,312.50.

I have traded around the "Street" a good deal since then, but have never heard of any one, with such a small amount of cash and such a big bump of ignorance, succeeding quite so well as this.

COTTON SCIENCE

I went into the office of a large cotton speculator one day, and, as expected, found him with eyes glued to the tape. The market was very active.

In an adjoining room several clerks were very busy tabulating figures from piles of telegrams, letters and postals—information from thousands of sources showing the condition of the cotton crop in their respective localities.

Instantly this picture presented itself—a diagram, showing his plan of action.

Millions of acres producing cotton. Thousands of cotton planters and shippers,
pouring in their knowledge of conditions. Clerks tabulating and predi-
gesting the facts and figures. Long experience, expert knowl-
edge, courage, initiative, judgment, all focusing in the
brain of this man and enabling him to read on
the tape the one word
$UCCE$$

The Streets of New York

A Song Without Music

I.

I just came on from Manasquan
  Down in Jersey a way,
Where we're araisin' sparrer grass
  'n oats, 'n corn, 'n hay.
A special "scursion" landed me
  So I got here mighty cheap,
An' the minute that I lit, I started
  Out to see the streets.

This New York town is upside down,
  The streets they git me all turned 'round;
If y' ever start t' hunt 'em up,
  Don't do it by the sound.
I wish before they named 'em, they'd asked
  Wot *I* had ter say;
For there's only one that suits me,
  An' that's old Broadway.

II.

They landed me at "Liberty,"
  But nothin' there was free;
Then I cut through to "Dey" street,
  But no dead ones could I see.
I went down to the "Battery"
  But didn't hear no guns;
Then started "North" through "South" street,
  'Long where East River runs.

III.

At the Bridge, I found that "Bridge" street
  Was nigh a mile away.
I wandered up thro' "Maiden Lane,"
  But, the Maidens, where were they?
I saw no dogs on "Barclay" street,
  No trees, on "Spruce" or "Pine";
Then I went back ter "Baxter," but
  "I dond vond dat fer mine."

IV.

I saw no bees on Avenue "B,"
  But somehow, I got "stung,"
When I met "Hester" on her street,
  An' 'round my neck she hung.
Now "Water" 's nowhere near "Canal,"
  "Great Jones" wan't half a man,
But the warmest street, is "Fulton,"
  For it's just 'twixt "John" and "Ann."

V.

I found a place, they called "Park Raow"
  They say, it's known to fame.
So I asked a copper, "Tell me,
  What's the cause of such a name?"
The copper burst into a roar,
  And yelled, "Gee! What a yap!
They call it that because it's whar
  The *World* and *Journal* scrap."

VI.

Now, if I was "rangin" these 'ere streets,
  I'd do the job up right.
The dry goods stores would all go on
  "Nineteenth" and "Forty-ninth."
You'd have to buy yer cocktails on
  "Manhattan avenue,"
And "Skidoo" street, you'd always find
  Just north of Twenty-two

VII.

I'd put the "Bible House" in back
  Of "Holy Trinity";
And "Vestry" street, along with "Rector"
  'Round the "Church" would be.
The Pikers would have "Pike" street,
  Garlic fiends the "Onion Square"
And when you got through "William,"
  You would sure find "Walker" there.

VIII.

Old "Christopher," I'd put right next
  Ter "C'lumbus" avenue;
The clock stores all on "Sixty-second,"
  Say now, wouldn't you?
I'd have it so arranged that "Spring" street
  Ran into "Canal";
And label "Wall" street, as the place
  Where Humpty-Dumpty fell.

INQUIRIES

What do you want to know about trading or investing in securities or commodities?

Is it something regarding opening an account, margins, commissions, stop orders or other kinds of orders?

Do you want to know a reliable house in your locality where you can safely trade?

In fact, is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated?

If so, write us questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

Q.—Will you kindly explain the difference between a Bond and a Stock?

Ans.—In the December TICKER we printed a very complete answer to the query, "What is a Bond?" In brief, a Bond is a little piece of a mortgage on railroad or other property.

A share of Stock represents a partnership in a railroad, industrial, or other enterprise. Stockholders in any corporation are practically partners; their investment is in no way secured and is therefore subject to the vicissitudes of the business.

Q.—I have 50 shares of U. S. Steel common, but the TICKER does not approve of that as an investment. Would you advise investing in something surer?

Ans.—It is our belief that a man who holds Steel common for a number of years should make a very handsome return on it. In the Inquiry Column of our December number we stated that Steel common could not be considered an investment. By an investment, we refer to a bond or a dividend-paying stock with a long dividend record, or an enormous margin of safety behind the dividends. If you are depending upon the income from your securities, you should own something in this line rather than Steel common. Until the latter stock reaches the position of safety occupied by the preferred stocks of the large railroad systems, it will be more or less speculative.

Q.—Do you think I was treated fairly in the within described deal?

Ans.—You evidently were given a square deal on your calls for 5,000 May wheat at 108⅞. May wheat did not sell above 104½ between November 8th and 16th. It looks to us, however, as though the broker who sold you the calls put a rather high figure on them. That is to say, he made the price so far away from the market that there was little chance of an opportunity to call the wheat and sell it out at a higher figure than the call price. We believe you make a mistake in trading with any house which is not represented on the Chicago Board of Trade, the Chicago Stock Exchange, the New York Stock Exchange, or some other institution of equal standing. Puts and Calls, or, as they are now called, "Ups and Downs," are dealt in by houses of unquestioned responsibility, so there is no advantage in your dealing elsewhere.

Q.—Kindly advise if the showing made for Chicago & Alton common, 42% on the investment, is actually being paid. You say these are the earnings, but do they pay it?

Ans.—The Chicago & Alton road is earning 6⅓% on the par value of its common stock. This is equal to 42% on the market price of the stock. The latter percentage is simply used as a basis of comparison with other roads. It does not represent the return on the investment. The stock pays no dividends, but if its current earnings keep up, it must do so before long.

MR. GROUCH.—Your suggestion regarding the erection of a fountain at the head of Wall street is all right, but in view of the recent slight disturbance in that vicinity, and the consequent elimination of much of the fluid used by some exclusively for bathing, do you not think the fountain might present rather a dry appearance?

W. B. E.—We cannot give you the name of a broker who would manage an account for

you. Anyone who knows enough about the market to make money for himself would not do it for others.

We advise you never to place your account in the hands of anyone, giving him discretion, as this leads to dissatisfaction, loss of friendship and lawsuits. Better learn to trade yourself by reading the TICKER and other educational literature.

MR. BROCKMAN.—We cannot give opinions on the market. The TICKER endeavors to furnish money-making ideas and methods, together with such recommendations as are the result of calculations worked out in its pages.

Q.—What is the Dow-Jones System of Averages? Do you know a system that will beat the market?

Ans.—The Dow-Jones System of Averages is simply a method of calculating the average price of 20 active railroad stocks and 12 industrial stocks. These averages being tabulated for days, months and years, show the swings of the market, and are a better guide than any one stock or group of stocks.

This has nothing to do with a system for "beating the market," and we know of no such system. Money is made in the stock market by close utsdy, accurate knowledge and good judgment, coupled with experience.

If you will read this Magazine regularly you will find therein presented the best methods of acquiring the necessary knowledge and experience.

Q.—What do the papers mean when they say "The market advanced a point"? How much is a point, and how can I learn these terms?

Ans.—A point, when used in this way, means that the majority of stocks have either advanced or declined one per cent. On a stock of $100 par value, one per cent. is $1 per share. If you look over your paper and find that the majority of stocks have advanced about one per cent., the above expression would be in order.

Q.—In your article "Bargain Days" in the December issue of the TICKER, you state that Wabash preferred earns on par 5.6, price 16, and earns on price 35%. Inquiring into the matter I was told that Wabash preferred has never earned a dividend. Can you set me right in this matter? On what terms can I carry some of this stock for three to six months?

Ans.—Our Table of Earnings in the December TICKER shows that Wabash is earning 5.6% on its par value and 35% on its market price.

This does not mean that it pays a dividend, but that it is *earning* a dividend now is shown by the current reports. How long it will be before any distribution is made to stockholders no one can tell.

If you wish to buy Wabash preferred on margin almost any broker would carry it for you. He will charge you interest on the difference between your margin and the cost of the stock, and you can as soon as convenient pay the balance. The stock will then be delivered to you.

Q.—Can a broker get the same price for 10 and 20-share lots of active stocks as for 100-share lots? Is it an advantage to the trader if the broker has more than one board member and has private wires to the floor? Do any of the larger, better class of Exchange brokers make a specialty of trading in 10 and 20-share lots for their customers? Do any houses make a practice of not buying 100-share lots? How would you advise a layman with $500 to speculate, studying the market as he goes along, gaining experience—doing nothing else, and depending upon securing his living from his success?

Ans.—If you stick to the active stocks, any member of the N. Y. Stock Exchange can secure in nearly every case about the same price for small lots as for 100-share lots.

It is sometimes an advantage to the trader if a broker has more than one board member, but in case of odd lots it makes no difference, as these orders go directly to the odd lot specialists.

All New York brokers who are members of the N. Y. Stock Exchange have their offices connected with the floor by private telephone wire.

There are houses which make a specialty of trading in 10 and 20-share lots. These are known as odd lot houses and they accept orders only from other brokers. That is, you as a trader could not buy stock through them either for cash or on margin.

The firms we mentioned will give you just as good service on 10 and 20-share lots as on 100-share lots. We know of no broker who will not accept 100-share lots and over.

We would advise the layman with $500 to spend some months in careful study of all obtainable literature on the subject of Investment and Speculation before he makes his first venture. Then start trading in 10-share lots and pay cash for them.

You will make a great mistake if you enter the market with the idea of trading on margin, and studying as you go along. It is practically impossible for a novice to start with this amount of cash and secure his living from a business of which he knows nothing.

P. W.—Our Erie book offer has been extended to March 1, 1908 (see p. 50). You will do well to take advantage of it.

If you are tempted by the flamboyant literature or advertisements of certain houses, write the Ticker, before opening an account. We have a record of every legitimate banking and brokerage house in the United States, and will gladly give you information that will assure the placing of your business in safe hands.

THE FORUM

Letters of General Interest

Editor's Note:

These letters are mighty interesting. They bring to a focus thousands of ideas which will aid us all in the evolving of scientific methods.

Consider this page a burning glass; each letter a ray, and we'll concentrate on this subject of money-making till we've burned a hole and the light pours through.

Here are some suggestions:
How did you make your biggest profit?
To what do you mainly attribute your losses?
What is the most money you ever made from a "shoestring"?
Who makes the most money in stocks, cotton and grain?
What methods are employed by the most successful trader you ever knew?
What in your opinion are the chief causes of loss among traders?
What class of trader makes the most money?
How far should a broker go in giving advice?
Who makes the money—the office trader or the man away from the ticker?
Do you advocate the use of stop orders?
Which offers the most advantages—trading in stocks, bonds, cotton or grain? Why?
How could brokerage houses improve their service?
Is it more advantageous to trade from the tape, a quotation board, or a newspaper?
How can bond houses give investors better service?
Do you advocate the issue of bonds in small denominations? If so, what size?
How can this Magazine be improved?

Make your letter brief and to the point, write just as you would talk. This is not a literary contes but a mode of gathering material and boiling it down into something of concrete value to you and tt others. What may seem commonplace to you may suggest a helpful idea, plan, method or system to another person. Don't fear that the whole world will start playing your way, as the same plan in the hands of two men of different ideas will generally produce opposite results. Just address the Editor and state whether you wish your name mentioned.

BUYING STOCKS ON THE INSTALMENT PLAN

Inducements offered in Exchange for a Large Cash Commission

To the Editor:

One of the features of recent Sunday financial pages has been a brand new plan for the alleged benefit of those who wish to buy stocks at panic prices, but who have not saved up all the money necessary to pay for them outright. The reader is urgently directed to *buy these stocks now, and pay for them in full.* The would-be operator is warned against gambling and speculating, and the nightmare of having a margin call made upon him is exhibited in its most ghastly aspects. Under this new system no margins whatever are required. The "broker" for the small commission of 12½ *per cent.* absolutely guarantees that no margin calls will be made, no matter to what figure your stock declines.

In other words, by simply dropping 12½ per cent. in the slot, you get an insurance policy backed by—well, never mind. Even if you buy a stock at par, and it declines to 50 the broker making this guaranty, would cheerfully supply the deficiency of 37½%, and continue to carry the stock without margin and with no further obligation on your part.

This surely is the most promising plan, for the enrichment of small speculators, which ever perambulated down the pike. Compared to these philanthropists, Mr. Carnegie isn't knee-high, Mr. Morgan is a piker, and the Stock Exchange a mere branch of the charitable institution having its headquarters in the offices of these enterprising Napoleons of Finance.

The parties making this offer are kind enough to allow you to make payment for your purchase in ten equal monthly instalments. That is, 10% down and 10% a month until the whole amount is paid. You are at liberty to sell out at any time, in fact the advertisement contains the assurance that you can buy one day, sell the next, and take your profits.

The entire charge for execution of the order, carrying the stock, including commission, interest, sales tax, etc., is absolutely covered by a flat commission of 12½ per cent.

I think there is a typographical error in the last statement, and that it was intended to read—a FAT commission of 12½ per cent.

The advertisers then go on to explain what 12½ per cent. means. In one of these advertisements it read: "A commission of ⅛." So it's just as well to have this explained, as it differentiates between the ⅛ of one per cent. charged by N. Y. Stock Exchange members, and the 12½% FAT commission exacted by the Speculators' Aid Society.

The announcement further states that there are no "ifs" or "buts" about this proposition. Here are a couple of "ifs" which just happened to blow into my garret window.

If the members of the N. Y. Stock Exchange, with all their millions, are unwilling to guarantee traders against loss, even if the commission were twice 12½%, how can the advertisers do it?

If by any stretch of the imagination 50,000 shares of stock should be bought on this plan, and after the first 10% was paid down, the market should decline 30%, who would supply the necessary million or so to make up the deficiency and continue to carry the stock?

I think the TICKER should advise its readers that there are hundreds of responsible N. Y. Stock Exchange houses ready and willing to buy small lots of stock from *one share up* on a commission of ⅛ of 1 per cent., equal to 12½ *cents* per share—on the instalment plan or the margin plan, or the cash payment plan, but without any guaranty such as these brokers offer.

Under their scheme a man buying one share of stock at 160 would pay 12½% of 160, equal to 20 points commission for "services" and a guaranty of questionable value. His stock would "stand him in" 180, and before he had completed the 10th payment he might "stand out" the whole amount of his investment.

I should like to have it explained to me how the above transactions can be carried out as agreed on the "broker's" part; also what stands behind this guaranty.

J. C. C.

Ed.—It is not difficult for these houses to carry out their agreement. If you buy one share at 160 through them, they charge the stock up to you at 180. Your first payment is $18.

Presuming that they buy the stock at 160, your deposit brings their cost down to 142. As the stock must go to 181 before you can realize even one point profit, they practically have 38 points margin and your obligation to pay the remaining 142 points before you gain possession of the stock.

The weak point in the proposition is this: Offers of this character are never made by houses represented on the N. Y. Stock Exchange, or other exchanges of equal standing. Any member of a first-class exchange making such a proposition would doubtless be expelled.

THE TICKER continually emphasizes the risk involved in trading with houses not represented on first class exchanges

To the Editor:

When the government first commenced reporting on the acreage planted in cotton,and at frequent intervals on the condition of the growing crop, and, finally, on the number of bales ginned up to certain dates, the people called upon to furnish those reports were, probably, impressed with the responsibility imposed upon them by the United States government, and tried to return accurate replies.

Gradually, however, it must have become apparent that if some "mistakes" could be made, showing in the final result a smaller acreage planted, or a poorer condition of the growing crop, better prices could be obtained. At any rate, a great many mistakes of this kind must have been made in recent years, because the condition of the crop evidently is always a great deal better than the government figures indicate, and the acreage planted evidently is larger than the government ascertains, because the final number of bales actually brought into sight, marketed, and shipped to mills and spinners is usually far in excess of the government's figures.

In reality these government reports do not have as much influence on the making of cotton prices as does the news received daily from so-called "private" sources. The receipt of an "official" government report may occasionally cause a sudden advance or a sudden decline of anywhere from 20 to 100 points; but any such movement is generally overdone, and the consequence is that within the next few hours prices return to about the levels warranted by the tone of advices and information obtained from sources entirely separate and distinct from the government bureaus.

The cotton market, and the farmers who raise the cotton, and the mills that consume it probably could get along a great deal better if these government reports, compiled as they are to-day, were abolished entirely. This feature, however, does not furnish a reason for avoiding cotton speculation. It is mentioned simply as a warning to the novice at cotton trading not to nail his faith too firmly to the accuracy and importance of the "bureau" figures.

T. W. C.

Market 'Rithmetic

Many people hesitate to deal in securities or commodities owing to their lack of technical knowledge of the subject. This, to our mind, indicates false pride. There was a time when you knew nothing about the business or profession you now follow, but that did not deter you from making a start. Our greatest operators were once green hands at the business.

General Instructions

If you desire to deal in Stocks, Bonds, Cotton or Grain, the first requisite is to open an account with the banker or broker with whom you have decided to deal. This is done by remitting the necessary margin in the form of a certified check, bank draft, post-office or express order. Or you may deposit funds in your own bank for account of the broker, instructing the bank to notify him by mail, or by telegraph if expedient. Bear in mind, the broker must have your remittance, or be notified that your margin is in the bank to his credit, before he can execute your orders.

Margins

	Usual margin required	Equal to
Stocks	$5 to $25 per share	$500 to $2500 on 100 shares
Bonds	$50 to $100 per bond	$500 to $1000 on $10,000 bonds
Cotton	$1 to $2 per bale	$100 to $200 on 100 bales
Grain	3c. to 5c. per bushel	$150 to $250 on 5000 bushels
Pork	$1 per barrel	$250 on 250 barrels
Ribs	½c. per pound	$250 on 50,000 pounds
Lard	$2 per tierce	$500 on 250 tierces

These margins are the smallest received. You may, however, deposit larger margins if you wish, when the trade is first made or at any time thereafter. Some traders believe they are "beating down" a broker when they induce him to accept a small margin. In reality they are beating themselves down, for the surest way to lose money in the markets is to trade on thin margins. In extremely active markets, larger margins than the above may be required by the broker.

Minimum Trades

Stocks.—Usually brokers prefer to execute orders in 100 share lots. Upon request, The Ticker will recommend reliable houses which handle smaller lots on margin. All houses buy and sell small lots for cash.

Cotton.—100 bales.
Grain.—5,000 bushels.
Pork.—250 barrels.
Ribs.—50,000 pounds.
Lard.—250 tierces (340 lbs. to the tierce).

Commission Rates

New York Stock Exchange.—Stocks—For buying or selling, ⅛%, equal to 12½c. per share on stocks of $100 par and 6¼c. per share on those of $50.
Bonds—$1.25 per $1,000 of face value.

New York Cotton Exchange.—$15 for buying and selling 100 bales (round turn).

Chicago Board of Trade.—
Grain—⅛c. per bu. for the round trade, equal to $12.50 on 10,000 bushels.
Pork—$12.50 on 250 bbls., round trade.
Ribs—$12.50 on 50,000 lbs, round trade.
Lard—$15.00 on 250 tierces, round trade.

Fluctuations

	Smallest change	Equivalent to
Stocks and Bonds	⅛ of 1%	$12.50 on 100 shares of $100 par
Cotton	1 point, viz.: 9.20 to 9.21	$5 per 100 bales
Grain	⅛c. per bushel	$6.25 on 5,000 bushels
Pork	2½c. per barrel	$6.25 on 250 barrels
Lard	2½c. per 100 lbs.	$21.25 on 250 tierces
Ribs	2½c. per 100 lbs.	$12.50 on 50,000 lbs.

Placing Orders

Orders should be given in either of the following forms:

Buy 100 X. Y. Z. at (state price);
or,
Buy 100 X. Y. Z. "at the market."

The latter means at the best possible price, whether you are buying or selling. If your order is at a definite price, the broker always understands you wish to buy at that figure "or better."

In placing an order at a fixed price, always state whether it is good for that day only, or "G. T. C." (good till countermanded). When nothing is said on this point, orders are generally considered good only for the day of their receipt.

New Publications

Comments on the Latest Books Relating to Finance and the Markets

Money and Investments. A Reference Book for the Use of Those Desiring Information on the Handling of Money or the Investment Thereof. By Montgomery Rollins. Boston: Southgate Book Co.

The above is the title of a new book of reference by Montgomery Rollins, famous as the author of "Government Bond Values," and other Bond Value Tables, "Laws Regulating the Investment of Bank Funds," as well as valuable financial publications.

This is a book of extreme value not only to the private investor, but to the trustee, the lawyer, to bond salesmen, and clerks in banking-houses. Furthermore, it is a mine of information for the practical banker himself.

Each man in any way connected with the financial field occupies more or less the position of a specialist, whether he be a banker, broker, bond dealer, official, or employee of an institution. His familiarity with the world of finance is accordingly somewhat limited to the scope of his own private experience.

Mr. Rollins, in presenting his book, offers to everyone embraced in these classes an opportunity to become thoroughly posted on matters outside his own particular field.

One engaged in the stock brokerage business, for instance, might know very little about the municipal bond business, or some other allied branch with which he is not brought in contact. As this book covers practically every point that would come up in the course of his business, it is invaluable for reference.

The danger is that the average financial man will not realize how much information is stored up in this publication and will not refer to it as frequently as he might.

Mr. Rollins's "Foreword" is full of valuable advice and information for the investor who desires to make careful and conservative investments of his money.

There are many plain and practical suggestions to the reader as to the way in which he should conduct his operations among men who are selling sotcks and the like. He exhibits in many forms the manipulations which go on in order to induce men to fling prudence to the winds. His general statement of financial affairs is clear, lucid and valuable.

The real purpose of the work, as carried through the four hundred and fifty following pages is to explain, to elucidate, to set out clearly, concisely and at the same time comprehensively, all the terms which are used in the world of money and investment.

This is done in alphabetical order, beginning with the first letter of the alphabet and ending with the last. Sometimes two or four lines will explain what is meant by a particular phrase. As, for example, "Absolute Indorsement"; sometimes a couple of pages are necessary, as in the case of "government bonds." Under the term of "graft" get in ten lines a pretty clear idea of what it is, and what it is not. "Technically," we are told, "it does not mean putting the hand in the safe and deliberately stealing; but the abuse of opportunities possessed over one's fellows to make money; selling one's vote or influence, bribery, etc., are examples."

"London Stock Exchange Transactions" require a page and a half of description and explanation, but in eight words we learn that "Lying Down" is "a refusal to meet one's agreements or contracts."

All of the terms in use in conversation, in the newspapers, on 'Change, at bank counters in regard to money, funds, bonds, stocks, banks, finance of any and every kind, even to "Frozen Out" appear, and the work is a compact body of information.

It is a practical book, which deals with principles, facts and theories, and it is essentially fair and, therefore, reliable. Mr. Rollins has written several works on financial subjects, and is a reliable authority.

The publication price of the work is two dollars. It is well worth the money.

THE CYCLES OF SPECULATION.

Mr. Thomas Gibson, the well-known authority on financial and speculative matters, whose former book, "The Pitfalls of Speculation," was so favorably received last year, has written another and larger work on the great questions of speculation and investment which is designed to enter into the subject a little further than did the first book. The new volume also serves as a companion or supplementary work to the "Pitfalls of Speculation." In the first book Mr. Gibson stated the general principles of the subject, but in his new volume he undertakes to apply these principles in an intelligent and practical manner.

Not only because of its thoughtful reasoning, but because of its practical suggestions as well, "The Cycles of Speculation" will prove of unusual value at this particular period when so many perplexing questions must be decided

by the investor and speculator, and the dealer and trader in stocks and bonds. The introduction to this work appeared in the December TICKER.

The second chapter gives a brief history of the great speculative movements, panics and crises of the last century, and analyzes the causes of these events. In further chapters the important questions of the gold supply and the influences of money conditions are considered, particular emphasis being given to their bearing on the prices of stocks, bonds and commodities. Consideration is also given to such factors as political influences, crops, etc.

The conclusion of the work is particularly interesting to the speculator. In this chapter Mr. Gibson takes up and answers the following questions which are most frequently asked by speculators: 1—What margins are necessary to reasonable safety? 2—Is it better to study the entire list, or make a specialty of one stock? 3—What class of securities is the safest? 4—What may be considered a fair rally or reaction in prices? 5—What is the best method of trading?

"The Cycles of Speculation" is attractively bound and is uniform in style with "Pitfalls of Speculation" and other volumes of the "Investors' Library." Price per copy, $1.50 net; by mail, $1.62. Published by The Moody Corporation, 35 Nassau street, New York.

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Suggestions for Investment Purchases. Correspondence invited.
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Monthly Railway or Industrial Quotation Guide,
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Daily Market Letter,
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Hubbard Bros. & Co., Hanover Sq., N. Y.

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Statistical Tables (Pocket Ed.), No. 513,
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Mention THE TICKER *when requesting any of the above.*

Who Gets the Profits?

(*Continued from page 29.*)

looking 'round a bit, don't you know, and was not decided.

"Well, this is a good house, a good house," he assured me, and then evidently remembering my strangeness to the district, continued: "You think it's a trouble to open an account, maybe?"

I intimated that this was correct, and smiled inwardly at the thought of what a lot of trouble I would have. But he went right on to explain. All you had to do was to step up to the little window on the left and say that you wished to do some trading on margins. Then you handed in your money, or a check, or securities or whatever it was that you had in the shape of capital, and the cashier would give you a receipt for it. This done, it was up to you to give such orders as you wanted executed, and if you didn't get rich right away nobody would be to blame but yourself. The house would buy or sell anything you told them to.

An idea was beginning to percolate slowly through my brain. "Did you say that securities are as good as cash?" I asked him.

"Sure, if they are good."

"How about bonds?"

"Bonds? There's nothing better. What kind of bonds have you got?"

I showed him the contents of the envelope that had been reposing in my inside coat pocket, and his eyes bulged until I was afraid he might drop them. "Six thousand dollars, and in this market! Why, you have a fortune slipping through your fingers. Put them up, put them up, quick!" He was so excited that I felt myself absorbing some of his enthusiasm. He was urging me to go immediately to the little brass-barred window and open an account; but I hesitated.

(*To be continued in the February* TICKER.)

Back Numbers of the Ticker

Sent upon receipt of 25 cents per copy (while they last).

The November issue contains:

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Rules of a Successful Speculator.—A Masterpiece on the subject.

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Your suggestion, criticism or inquiry will aid us in making this Magazine more valuable to you.

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THE TICKER's advertising pages will be limited as to number and will contain only such matter as would meet the approval of a committee composed of New York Stock Exchange, New York Cotton Exchange and Chicago Board of Trade governors, if it were possible to assemble such an august body.

Write for rates or 'phone 2148 Broad and our representative will call.

Correction

In our December issue Lehigh Valley was mentioned as selling at 55. As the par value of this stock is $50 per share, the price of 55 is equal to 110%. The stock, therefore, earns 16% on its price instead of 32%.

The mind which concentrates itself upon the one idea, I Must Do This Thing, does it eventually, no matter what obstacles intervene.

Our Unparalleled Premium Offer "The Story of Erie"

No more generous proposition was ever made, in the history of the publishing business, than the one in which THE TICKER offers to give to each person sending $3, for one year's subscription to the Magazine, a copy of the famous Wall Street book, "The Story of Erie."

Many people reading the initial announcement in the December TICKER were skeptical, and wrote asking all sorts of questions about it.

We wish to assure every one of the absolute genuineness of this offer, and of the great intrinsic value of the work. We consider it a great stroke of good fortune that we were able to procure the plates and the right to publish this book and thereby present to our new subscribers a volume for which the richest men in this country have paid either $7 or $15.

We have before us, a letter from "Deacon" S. V. White, one of the famous operators in the days when Erie was in its prime. He says:

"I have read the history which you are publishing, and have myself been perfectly conversant with the Erie Railroad and its management from the year 1864 to the present time. As much as your history reads like a fable, it does not overstate anything. To one who was trading in the market as the great events occurred in that road, which necessarily affected its stock most wildly, it would seem underdrawn rather than overdrawn. No person can afford to be without it who is interested in the growth of the railroads of the United States and the vicissitudes which have overtaken their managers."

We also have the original letters and orders from thousands of the most prominent financiers, railroad officials, bankers, brokers, attorneys and others who paid their cold cash for what you can now secure as a gift.

The whole policy of this paper is based on a determination to give both readers and advertisers *more* than their money's worth, and those who send in their subscription while this offer lasts will have no reason to regret a $3 investment which returns a $7 book and a $3 Magazine.